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|POLICY|

OTHER MATTERS

LEAST DEVELOPED COUNTRIES

Participation of the United Nations Development Programme in the preparations for the Second United Nations Conference on the Least Developed Countries

Report of the Administrator

SUMMARY

The present report is in response to Governing Council decision 90/2 of 23 February 1990, in paragraph 5 of which the Council requested the United Nations Development Programme (UNDP) to assist the efforts of the least developed countries (LDCs) in economic recovery and development with appropriate programmes and resources and requested the Administrator to submit proposals on this subject to the Council at its thirty-seventh session with a view to making a significant contribution to the Second United Nations Conference on the Least Developed Countries in September 1990. This report complements and builds on previous reporting by the Administrator concerning the role of UNDP in the preparations for the Conference submitted to the Governing Council and to the preparatory meetings for the Conference held in Geneva under the auspices of the United Nations Conference on Trade and Development (UNCTAD) (A/CONF.147/DR/3/Add.10 and A/CONF.147/PC/3/Add.9).

Section I of this report contains UNDP's views of the priority needs of LDCs for the 1990s. Section II covers proposals for UNDP programmes and resources for the LDCs in the 1990s.

I. PRIORITIES FOR ASSISTANCE TO THE LEAST DEVELOPED COUNTRIES IN THE 1990s

1. What are the special needs and requirements of the least developed countries (LCDs) to which priority should be given in the 1990s? There has been a lively debate and intense discussion of the failure of the LCDs and the international community to achieve the objectives of the Substantial New Programme of Action for the 1980s for the Least Developed Countries (SNPA) adopted at the First United Nations Conference on the Least Developed Countries in Paris in 1981. Closely related debates have taken place on the strengths and shortcomings of structural adjustment programmes sponsored by the International Monetary Fund (IMF) and the World Bank, particularly in Africa. In addition, the United Nations Development Programme (UNDP), the World Bank and some donor Governments and institutions, in co-operation with many developing countries, including several LDCs, have been taking a careful and critical look at the effectiveness and the problems of technical assistance. Out of these efforts there appears to be a clearer understanding of what has gone wrong, with some closing of the gap between developing countries and donors on this issue, and an emerging consensus on many basic issues as to what must now be done to achieve economic recovery and development for the LDCs.

2. Subsection A of this section presents what UNDP sees as the main development priorities for the LDCs in the 1990s, built on its experience of the previous decades. Subsection B elaborates further on a particular issue of special relevance for UNDP, namely, technical co-operation.

A. Development priorities in the LDCs

3. The emerging consensus on priorities for the development of LDCs is reflected in various documents that have been prepared during the past 10 months, frequently in the context of the preparation of the Second United Nations Conference on the Least Developed Countries to be held in Paris in September 1990. It will not be possible here to present a complete list of these national priorities, much less a full analysis of the related issues. From UNDP's perspective, the main priorities can be summarized as follows: economic management and aid co-ordination, effective management of technical co-operation, human resources development, and population and environment.

4. In the course of the 1980s, UNDP recognized more clearly the importance of improved economic management for the development of the LDCs. Its leadership role for the round-table process in many of these countries has led it to provide increased assistance in the area of policy analysis and economic management, while at the same time enabling it to appreciate more distinctly the prevailing weaknesses of the LDC institutions responsible for managing the economy and the external assistance received. The strengthening of these national institutions has been a priority for various UNDP sources of financing, such as the indicative planning figure (IPF), the Special Measures Fund for the Least Developed Countries (SMF/LDCs) or the Management Development Programme.

5. A number of LDCs have, in the course of the last decade, embarked on policy reforms and adjustment programmes. Because of their limited capacity in this particular area, these countries have found it particularly difficult to prepare, negotiate and implement effectively their adjustment programmes. UNDP has provided assistance to LDCs in this area, for instance through projects to strengthen ministries of planning and finance or, in Africa, through the Structural Adjustment Advisory Teams for Africa (SAATA). It is part of the emerging consensus that adjustment efforts in the future should be more in tune with these countries' long-term strategies and constraints, and should pay particular attention to the situation of the most vulnerable groups within the country. The latter point is linked to the issue of human resources development presented below. With regard to the first point, it should be a priority for LDCs in the 1990s to establish medium- and long-term development strategies to serve as a framework for these countries' ongoing adjustment efforts.

6. On this issue, the "Dhaka Document", adopted by the Ministers of the Least Developed Countries at their meeting held from 10 to 12 February 1990 in Dhaka, Bangladesh, states in section II B: "The Ministers noted that technical assistance to LDCs should aim at enhancing and strengthening their capacity to formulate and implement their national policies and programmes and to address the basic structural rigidities of their economies. They also noted possibilities for joint international action in the area of technical assistance in support of improved management capacity and development of infrastructure. Technical assistance should be demand-related and not supply-oriented." The document also states, in section V (1): "The Ministers also underscored the need to support LDCs to strengthen national capacity to formulate and implement their development plans and programmes".

7. It might also be useful to refer to a study commissioned by the United Nations Conference on Trade and Development (UNCTAD) as part of the preparation of the 1990 Paris Conference; this study, entitled "Aid co-ordination and effectiveness: least developed countries, 1981-1989", was distributed to the Preparatory Committee for the Conference (document UNCLDC II/4 dated 8 March 1990). The document stresses: (a) the need to focus aid co-ordination on longer term development strategies rather than limiting itself to shorter term structural adjustment programmes; (b) the need to shift away from the over-domination of donors and in favour of building the capability of LDCs to manage the totality of resources available to them, and thus to exercise primary responsibility for aid co-ordination; and (c) the need for major reforms in the programmes and practices of donor agencies which, in many cases, are not effectively directed to building the institutional and management capacities of the LDCs.

8. While human resources development has always been a priority for UNDP, its importance for a country's overall economic development has not always been universally understood. There is now none the less an increasing recognition of the critical role of human resources for development, in marked contrast with the situation at the beginning of the 1980s, when preoccupations with budgetary and balance-of-payment constraints had led many recipient and donor Governments to lose sight of the necessity, for the long-term development of a country, to develop the resources of its people.

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9. In its report entitled Sub-Saharan Africa, From Crisis to Sustainable Growth - A Long-Term Perspective Study (November 1989), the World Bank sets out a strategy for sustainable and equitable growth in the region with the aim of providing jobs for a growing labour force. This will require an enabling environment of infrastructure services and incentives to foster efficient production and private initiative, as well as "enhanced capacities of people and institutions alike, from the village to the upper echelons of government and industry". The strategy proposed differs from earlier practices in that "it aims to release the energies of ordinary people by enabling them to take charge of their lives". In its report the World Bank notes that "the strategy should be people-centered. Human resource development and meeting basic needs are top priorities".

10. The first issue of the UNDP-sponsored Human Development Report 1990 (May 1990) lays particular stress on raising the priority of local and international support measures on how to manage economic growth in so far as it involves people - in particular ways to increase the capability of people to take care of themselves.

11. The 1980s also saw an improved understanding of the complex relationship between population growth and environment. The protection of the environment is now high on the development agenda of many recipient and donor countries. There is also an increasing recognition that rapid population growth might endanger the environment and that, in turn, a degraded environment can severely constrain the potential for economic and social development. The problem is particularly acute in the LDCs, which are frequently characterized by rapid population growth and a fragile ecological environment.

12. The World Bank, in its report on sub-Saharan Africa, points out that population of the region will double in the next 20 years if current rates continue. Even if gross domestic product (GDP) growth rates rise to 4 or 5 per cent per year, "incomes will improve little if population growth continues to soar". In paragraph 64 of its report to the Preparatory Committee for the Second United Nations Conference on the Least Developed Countries entitled "Elements for a programme of action for the 1990s for the least developed countries" (A/CONF.147/PC/5-TD/B/AC.17/33 dated 1 February 1990), UNCTAD notes that in most least developed countries "the high rate of population growth is a fundamental problem, adversely affecting their efforts to alleviate poverty, the allocation of economic resources and the quality of the natural environment. It therefore will be of utmost importance for the Governments of LDCs to turn around the alarming trend in population growth in the 1990s through the promotion of voluntary population control measures and the provision of appropriate support".

13. The Dhaka Document, in section II A, also makes recommendations on environment, stressing the importance of the problem and raising some of the concerns of LDCs: "During the 1990s, LDCs would initiate, within their available capacity, measures to contain environmental deterioration without slowing the pace of their development. Measures in this regard would include improvement in the management of their renewable resources with a view to ensuring the greatest future benefit possible without adversely affecting present needs or reducing the carrying capacity of the environment. Supported by appropriate and adequate international support measures, it would be also one of the main endeavours of the LDCs to

achieve a balance between human demands on the natural resource base for future as well as present generations, and to maximize the ability of the environments to meet these demands."

B. Technical co-operation in LDCs

14. The main issues regarding technical co-operation in LDCs are beginning to be better understood. UNDP has contributed to this process through new efforts launched during the 1980s to assess and co-ordinate such assistance.

15. Technical co-operation appears to have been most successful, first, in improving the general skill levels of large numbers of people through training; and secondly, in meeting the immediate needs for filling gaps by performing tasks such as preparing feasibility studies, writing plans, supervising construction, etc. However, this has often failed to lead to self-sustaining national capability. More specifically, the following are major issues:

(a) Cost-effectiveness: There is widespread dissatisfaction on the part of both donors and recipients that not more has been achieved thus far. This is coupled with a growing realization of the magnitude of resources channelled to technical aid, now representing 25-30 per cent of all official assistance to LDCs, and reaching one third or more of total assistance in at least half of these countries. The value of technical co-operation grants exceeded $100 million in five of the LDCs in 1986, and equalled 50 per cent or more of the value of merchandise exports in 17 of them;

(b) The inadequate impact of many technical co-operation projects in contributing to the long-term capacity of national institutions;

(c) The lack of absorptive capacity on the part of Governments to make use of technical co-operation. This is explained by the shortage of trained nationals that has led, for example, to a lack of counterparts, and by the inadequacies of civil service structure and remuneration;

(d) The lack of adequate attention paid to the socio-cultural context of technical co-operation activities;

(e) The perverse impact whereby development agencies and experts have learned more than recipient Governments and have in fact accumulated more data and know-how in many areas of development management;

(f) The process, planning, programming and implementation of technical co-operation may in all too many cases be donor driven. Recipient Governments tend to accept this as a price for obtaining capital resources, and as a means of augmenting the recurrent budget with personnel and operating funds;

(g) Technical co-operation has been provided in most cases on an ad hoc and project-by-project basis, without a sectoral or national programme framework;

(h) Training efforts under technical co-operation may not always address the priority needs of the country since the latter are not systematically identified;

(i) Finally, neither the data nor the theoretical concepts and constructs necessary to plan and manage technical co-operation have as yet been fully developed. For example, very little literature exists on methodologies for the appraisal and evaluation of technical co-operation, and few countries possess an inventory of technical aid received.

II. PROPOSALS FOR UNDP PROGRAMMES AND RESOURCES FOR THE LEAST DEVELOPED COUNTRIES IN THE 1990s

A. Proposed IPF priorities for the LDCs

16. In programming resource allocation for the fifth IPF cycle, and where recipient countries are in agreement, UNDP intends to give proper emphasis to the priorities outlined in section I, and to other priorities which may be formulated at the Second United Nations Conference on the Least Developed Countries in Paris. Four priorities have thus been identified:

Priority 1. Economic management. Greatly strengthened internal economic management capacity, in the form of people and institutions, is an essential priority to meet the aspirations of the LDCs to control and direct their own development more effectively and to direct the larger flows of international support needed during the 1990s to implement these countries' own carefully worked out strategies.

Priority 2. Management of technical co-operation. Closely linked to the priority for economic management is the priority need for overcoming the widely perceived shortcomings in the management of technical assistance.

Priority 3. Human resources development. Every aspect of economic and social development requires enhancing the capacity of people to participate in and benefit from development efforts - including, inter alia, universal primary education of much higher quality, training in the technical skills required for development, greatly improved primary health care, achievement of universal access to safe water, meeting basic standards for nutrition and housing, strengthening grass-roots efforts at community self-help, and empowerment of women to participate fully in all aspects of development.

Priority 4. Population and environment. Two other fundamental priority concerns, shaping and limiting the development possibilities of LDCs, and themselves closely linked, are population and environment. Efforts to lower the explosive rates of population growth are essential to achieve significant real per capita income growth and to avoid severe environmental degradation. Efforts to inject environmental considerations into development strategies and programmes are just beginning in many LDCs and are essential if growth is to be sustainable.

B. Improving the management and co-ordination of technical co-operation 1/

17. The National Technical Co-operation Assessment and Programmes (NaTCAP) process now under way for several African LDCs and similar overall technical assistance co-ordination efforts for LDCs at the country level in other regions are already proving to be an effective mechanism to co-ordinate and programme technical assistance as well as an important input to the round-table/consultative group co-ordination processes.

18. The underlying purpose of exercises such as NaTCAPs is to strengthen the ability of recipient Governments to direct, manage and control technical assistance. As such, it is a process and not a study by external consultants. The goal is that, over time, NaTCAPs will be internalized by Governments and will become a permanent element of the national socio-economic planning process. Ultimately, they should result in enhanced government capacity to manage and plan technical co-operation, making it a more co-operative process with donors, as well as a coherent medium-term national plan for human resources and institutional development into which technical co-operation is inserted as inputs.

19. The analytical methodology of technical co-operation assessment and programmes is still evolving and the substantive content will vary for each individual exercise. The key features include the following:

(a) An inventory of past and present technical co-operation is established and quantitative data are collected on major elements such as the number of experts and their area of intervention, the number of trainees, the nature of training and how such data are used;

(b) A qualitative assessment is made of the effectiveness of current technical co-operation and constraints are identified;

(c) Assessments are made of the current national human resources base and their utilization as well as the overall institutional capacities of the country, focusing particularly on the civil service;

(d) Technical assistance requirements and priorities are identified in terms of the implementation of the country's development strategy as expressed in its development plan, public investment programmes or structural adjustment programmes;

(e) The management system of technical co-operation is reviewed, including the mechanisms for its planning, programming and co-ordination, its policy basis, modalities for implementation and systems for monitoring and evaluation;

(f) In the subsequent "micro" phase the technical co-operation needs of specific sectors or areas are assessed, particularly by reviewing the organization and functioning of the institutions involved and the training personnel available.

20. The NaTCAP process provides a framework for recipient Governments to consider the complex policy issues raised by technical co-operation, and to set out clearly

the national priorities for technical co-operation resources so that donors can in turn respond appropriately and in a co-ordinated manner. The process, as it has now evolved, aims to formulate three outputs or instruments for improved management of technical co-operation: first, a data base; second, a policy framework; and third, rolling technical co-operation programmes.

21. NaTCAPs are now under way in 20 LDCs with four more being started in 1990. Surveys have been completed in 10 LDCs in regard to the data base on technical co-operation. The technical co-operation policy framework paper has now been prepared in seven LDCs. Preparation of technical co-operation programmes will be under way in five LDCs in 1990. In the course of the 1990s, UNDP will broaden the scope of NaTCAPs and similar exercises to other developing countries not yet covered. In so doing, it is proposed to give the priority to LDCs whose capacity to manage and programme the technical assistance they receive is the weakest.

C. Strengthening the United Nations Capital Development Fund (UNCDF) 2/

22. During the 1980s, UNCDF, which specializes in small grant (under $5 million) capital assistance projects and which is devoted almost exclusively to LDCs, grew considerably in size and effectiveness. Net disbursements of fund resources increased to almost $44 million in 1989 and new project commitments approved (including co-financing arrangements) came to $74 million in 1988 and almost $76 million in 1989.

23. A combination of special features makes the role of UNCDF in the multilateral financing system unique. The Fund's mandate and operational policies enable it to:

(a) Focus on the poor: UNCDF works at the grass roots with labourers, small farmers, micro-entrepreneurs, the unemployed, low-income urban dwellers and other vulnerable groups.

(b) Cover a broad range of social and economic sectors to: help meet basic needs for food, safe drinking water and sanitation, primary health care, education and low-cost housing; develop productive sectors and income-generating activities, especially in agriculture and small-scale industries; strengthen infrastructure such as rural transport and communications, water resources and energy development.

(c) Complement other sources of financing: UNCDF invests in small-scale projects - from $200,000 to $5 million - that are smaller than those usually considered by other multilateral financing institutions. By providing small-scale capital assistance, UNCDF fills a gap between pre-investment technical co-operation and large-scale capital financing from bilateral and multilateral development institutions. The relevance of the type of assistance provided by UNCDF was acknowledged by the Ministers of the Least Developed Countries at their Dhaka meeting. In section II B of the Dhaka Document the Ministers recognized "the effectiveness of providing small-scale capital assistance on a grant basis which benefits the lower income group such as that provided by UNCDF, and contributes to poverty alleviation. This form of assistance fosters local participation in national economic development and social progress while releasing people's full

potential through improved access to facilities for production and cost-effective social services".

24. There is no doubt that the Fund could expand its financing activities, given its large current pipeline of projects awaiting commitment. However, present funding levels will sustain annual commitments of $65 million to $70 million only through 1991 and will force a decline to about $45 million thereafter. At this rate, the pipeline could not be fully funded before 1992. An appropriate solution to this problem would be to increase substantially the resources of the Fund as proposed during the recent session in Geneva of the Preparatory Committee for the Paris Conference.

D. Special Measures Fund for the Least Developed Countries

25. The Governing Council, in decision 90/2, paragraph 6, requested the Administrator of UNDP to redefine the mandate of SMF/LDCs "in the light of the outcome of the Second United Nations Conference on the Least Developed Countries and in the light of decision 90/4 of 23 February 1990 on the preparations for the fifth programming cycle and to submit to the Council at its thirty-eighth session (1991) specific proposals on the subject aimed at mobilizing contributions".

26. While it is not possible to prejudge the decisions of the Paris Conference, the discussions at the meetings of the Preparatory Committee for the Conference, held in Geneva from 26 March to 6 April 1990, showed an emerging consensus that UNDP and particularly its SMF/LDCs have a special role to play in strengthening the institutional capacities of LDCs with regard to aid co-ordination and economic management. Another idea would be that this Fund should assist the LDCs in preparing and participating in the intergovernmental meetings that will presumably be called to monitor at the global level the programme of action that will be agreed in Paris, in the same way that SMF has assisted these countries in the preparation of, and participation in, the mid-term review of SNPA in 1985 and the Second Paris Conference.

E. Aid co-ordination and the round-table process

27. UNDP has been at the forefront of one of the most important achievements of SNPA, i.e., the improved co-ordination of aid to the LDCs during the 1980s, including particularly the organization of round-table conferences for some 23 of the LDCs and full participation of UNDP in World Bank-sponsored Consultative Group arrangements involving 10 other LDCs. UNDP now has the lead role in co-ordinating technical co-operation at World Bank Consultative Group meetings, as well as at UNDP-sponsored round tables. In addition to the round-table conferences (held in Geneva as a rule), UNDP is also assisting LDC Governments in preparing sectoral or thematic meetings, which are usually organized in the recipient countries. Finally, UNDP has increased its efforts to assist the Governments of LDCs in the co-ordination of donor activities in the field, through the activities of its field offices as well as through the implementation of various projects.

28. Since 1985 UNDP has established for the round tables it sponsors a new format, intended to make the process more effective. The whole philosophy of the round-table meetings was modified by putting the emphasis in the documentation and the debates squarely on economic strategies, structural adjustment and policy reforms, priority actions and the related bilateral and multilateral financial support.

29. Round-table meetings should not merely provide an opportunity for discussion: they should result in firm commitments which can be monitored - on the part of the recipient Governments, concerning the policies they are going to implement, and on the part of their aid partners, regarding the support they will give to the implementation of these policies. Another necessary condition is that a mechanism be established to monitor compliance with the commitments made by all participants. This, in fact, has not always been sufficiently the case in past round-table conferences (and consultative groups), thus leading to insufficient monitoring of the decisions taken. In this respect, it is desirable that, in the course of future donor meetings, the structure for monitoring be systematically identified, its capacity assessed and, whenever necessary, arrangements be made to reinforce this structure to enable it to carry out this additional function.

30. In its new format, the round-table mechanism and its succession of meetings constitute a cyclical process. When it was launched in 1985, a periodicity of two to five years for the cycle was envisaged; however, it now seems clear that shorter intervals are desirable. For example, sub-Saharan African countries in increasing numbers have embarked on far-reaching programmes, modifying significantly their economic policies in the process. To be successful, these adjustment programmes must be closely monitored by the Governments and their aid partners; at times of rapid change, the dialogue should be more frequent and better informed. In the 1990s, it would therefore appear desirable to increase the frequency of round-table conferences. UNDP proposes to hold them on an average of every two years for the countries actively involved in the round-table process.

31. The study commissioned by UNCTAD already mentioned ("Aid co-ordination and effectiveness: Least developed countries, 1981-1989") also stresses the necessity of formulating and monitoring more rigorously the commitments reached during round-table (and consultative group) meetings. Similarly, it insists on the necessity of more regular and frequent donor meetings.

32. As was apparent during the discussions in the Preparatory Committee meetings held in March-April 1990 in Geneva, it is likely that the forthcoming Paris Conference will lay great stress on improved aid co-ordination efforts. UNDP proposes to contribute to the process by supporting more frequent and more effective round-table and consultative group meetings, and to the closer linkages to the global monitoring mechanism which the Conference will presumably call for.

F. Providing for substantial growth in the allocation of UNDP's resources to LDCs

1. Growth in country IPF allocations to LDCs in real terms during the 1980s

33. UNDP's strong emphasis on support for the implementation of SNPA during the 1980s is reflected in the IPFs for the third (1982-1986) and fourth (1987-1991) UNDP programming cycles. The least developed countries 3/ have benefited from the allocation formulas for basic IPF resources which have stressed greater support for lower income and smaller countries. This basic resource allocation has been supplemented by additional resources for particular geographic or economic handicaps which hamper development, especially of the LDCs. In addition, an extra allocation (based on the assignment of three "supplementary points" to each LDC) has resulted in a further substantial increase in IPF resources for most LDCs.

34. The extra allocation to each LDC of three supplementary points has increased the total IPF allocation to the 42 LDCs by an estimated $285 million for the fourth programming cycle, which is a gross increase averaging about 25 per cent per LDC. 4/ (For the fifth cycle, it is proposed to increase these supplemental points for LDC status to four, as indicated in the note by the Administrator on preparations for the fifth programming cycle (DP/1990/8).)

35. Table 1 summarizes the growth from the first through fourth five-year programming cycles in support for the LDCs through the country IPFs, which represent the great bulk of UNDP resources. There were already quite substantial gains for LDCs in the second cycle (1977-1981), reflecting UNDP's initial efforts to concentrate its resources on poorer countries in general, particularly the smaller and especially handicapped ones, with additional emphasis on LDCs. However, the table focuses on the changes that have occurred during the 1980s - that is, on a comparison of the fourth cycle (1987-1991), covering the end of the decade, with the second cycle (1977-1981), which was just ending at the time of the First United Nations Conference on the Least Developed Countries. In current nominal terms the total country IPF resources rose by 45 per cent while those for LDCs grew by almost twice as much. If account is taken of inflation, overall country IPF resources declined in constant dollars by about 8 per cent while resources for LDCs rose by 19 per cent. If account is also taken of devaluation of the United States dollar projected between the two cycles, then overall real resources dropped by 15 per cent while LDC resources gained by 10 per cent in real terms.

36. Of equal importance is the changing share of total resources allocated to LDCs. The share of the original group of LDCs grew from 30.8 per cent to 38.8 per cent while the additional group was up from 5.2 per cent to 8.0 per cent; the total group of 42 LDCs thus rose from 36.1 per cent to 46.8 per cent over the decade.

Table 1. Allocation of UNDP resources to the least developed countries (LDCs) according to the indicative planning figures (IPFs) for the first through fourth programming cycles

	31 LDCs (on list as of end of 1981)	11 additional LDCs (added to list 1982-1988)	Total 42 LDCs (on list at end of 1989)	For reference: Total (for all recipient countries) a/
First cycle (1972-1976)				
Amount	295.0	47.1	342.1	1 288.3
Percentage share of total	22.9	3.7	26.6	100.0
Second cycle (1977-1981)				
Amount	628.1	106.7	734.8	2 036.1
Percentage share of total	30.8	5.2	36.1	100.0
Third cycle (1982-1986)				
Amount	810.2	156.6	966.8	2 164.3
Percentage share of total	37.4	7.2	44.7	100.0
Fourth cycle (1987-1991):				
Original allocation				
Amount	975.1	191.7	1 166.8	2 524.4
Percentage share of total	38.6	7.6	46.2	100.0
Revised allocation (June 1989)				
Amount	1 143.0	235.5 b/	1 378.6 b/	2 943.0 b/
Percentage share of total	38.8	8.0	46.8	100.0
Percentage change during the 1980s: (Second cycle to revised fourth cycle)				
In current dollars	+82.0	+120.7	+87.6	+44.5
In constant dollars c/	+15.7	+ 40.3	+19.3	- 8.1
In constant dollars and exchange rates d/	+ 7.0	+ 29.8	+10.3	-15.0

a/ Excluding unallocated country IPFs, national liberation movements and multi-island programmes, as well as regional, interregional and global IPFs.

b/ Adjusted to include increment to the IPF of Mozambique, which was added to the list of the LDCs by the General Assembly on 20 December 1988 (decision 43/431).

c/ Adjusted to constant dollars by using the implicit price deflator for the United States GNP, and assuming a 3.2 per cent annual growth for this index during the period 1987-1991 - for an increase of 57.3 per cent between the two cycles.

d/ Adjusted to constant exchange rates by using the average ratio of the United States dollar to the special drawing right (SDR), and assuming that the 1988 average level remains unchanged during the period 1989-1991 - for an increase of 8.1 per cent in the value of SDR between the two cycles.

2. Other UNDP allocations to LDCs

37. Resources from the country IPFs on behalf of the 42 LDCs during the period of the fourth programming cycle (1987-1991) were considerably augmented by funds from other UNDP programmes - up by an estimated 35 per cent or about $490 million, to a total of almost $1.9 billion. (See the table in annex II of document DP/1990/43, entitled "Preparations for the fifth programming cycle and net contributor status".) The three largest sources are UNCDF ($211 million), the United Nations Sudano-Sahelian Office ($121 million), and SMF/LDCs ($70 million). The share of LDCs in total UNDP country-specific resources (as shown in annex II of document DP/1990/43) for the period of the fourth cycle amounts to about 50 per cent (as compared to 47 per cent for the country IPFs alone).

3. Implications of alternative UNDP funding scenarios for the IPFs of the LDCs in the fifth cycle

38. The report of the Administrator submitted to the Governing Council last year (DP/1989/9, para. 34 (a)) suggested possible UNDP initiatives to be considered for the LDCs for the 1990s and included the "possible increase in IPF resource allocation to LDCs for the fifth programming cycle by 10 or 15 per cent in real terms".

39. Similarly, the Dhaka Document and UNDP's report to the Preparatory Committee for the Second United Nations Conference on the Least Developed Countries ("Development in the 1980s and proposals for the 1990s" (A/CONF.147/DR/3/Add.10, sect. II)) propose a substantial increase in the share of UNDP resources going to LDCs. The UNDP report adds that, "whatever the level of real resources available to UNDP, as a minimum, allocations to LDCs during the fifth cycle should not be permitted to decline in real terms".

40. How do the various alternative scenarios proposed to the Governing Council for the allocation of country IPF resources for the fifth cycle measure up to these aspirations for greater UNDP funding for the LDCs?

41. With respect to the scenarios contained in tables 2, 3 and 5 of document DP/1990/43/Add.1, "Options for the allocation of resources to individual indicative planning figures", table 2 below summarizes their implications for the group of 42 LDCs according to the four assumptions made regarding the growth of IPF resources and the five scenarios concerning the distribution of these resources among countries. (The data shown here thus differ slightly from the data on LDCs in document DP/1990/43/Add.1; the latter cover 45 countries, including the three "as if" countries which UNDP treats as LDCs but are not included in the General Assembly's list.)

Table 2. Fifth cycle IPF scenarios compared to fourth cycle (Analysis of scenarios in document DP/1990/43/Add.1, tables 2, 3, 4 and 5): Group of 42 LDCs compared with total allocated country IPFs

	IPFs for 42 LDCs a/	Total allocated IPFs a/	42 LDCs as percentage of total	Percentage change fourth to fifth cycle: Percentage of nominal increase	Percentage change fourth to fifth cycle: Percentage of real increase (assuming 6 per cent inflation rate)
Fourth cycle IPF	1 378.6	2 943.0	47.0		
Fifth cycle IPF					
(Assuming 4 per cent growth in resources)					
(6) (85/16)	1 378.6	2 943.0	47.0	+0.0	-25.3
(7) (70:15:10:5)	1 371.4	2 866.8	47.8	-0.5	-25.7
(8) (70:15:10:5, MOD)	1 340.0	2 867.3	46.7	-2.8	-27.4
(9) (60:40-$1 million)	1 652.3	2 867.3	57.6	+19.9	-10.4
(10) (60:40 R)	1 654.4	2 867.3	57.7	+20.0	-10.3
(Assuming 6 per cent growth in resources)					
(6)	1 382.2	3 079.8	44.9	+ 0.3	-25.1
(7)	1 468.1	3 070.8	47.8	+ 6.5	-20.4
(8)	1 436.3	3 070.8	46.8	+ 4.2	-22.2
(9)	1 769.6	3 070.8	57.6	+28.4	- 4.1
(10)	1 774.9	3 070.8	57.8	+28.8	- 3.8
(Assuming 8 per cent growth in resources)					
(6)	1 462.9	3 312.0	44.2	+ 6.1	-20.7
(7)	1 592.6	3 319.3	48.0	+15.5	-13.7
(8)	1 553.8	3 319.3	46.8	+12.7	-15.8
(9)	1 912.7	3 319.3	57.6	+38.7	+ 3.7
(10)	1 927.9	3 319.3	58.1	+39.8	+ 4.5
(Assuming 10 per cent growth in resources)					
(6)	1 587.1	3 563.7	44.5	+15.1	-14.0
(7)	1 716.6	3 574.4	48.0	+24.5	- 7.0
(8)	1 674.5	3 574.4	46.9	+21.5	- 9.2
(9)	2 059.7	3 574.4	57.6	+49.4	+11.6
(10)	2 073.0	3 574.4	58.0	+50.4	+12.4
(Assuming 12 per cent growth in resources)					
(11) Real floor	1 844.5	3 967.0	46.5	+33.8	+ 0.0

a/ IPF amounts in millions of United States dollars. Data on LDCs in document DP/1990/43/Add.1, tables 2, 3, 4 and 5, cover 45 LDCs, including the three countries treated "as if" they were least developed (Angola, Nicaragua and Senegal); data shown here are limited to the 42 LDCs classified by the General Assembly.

42. At a growth rate of UNDP voluntary contributions of only 4 per cent or 6 per cent per annum, none of the five basic scenarios shown provides sufficient funding to the group of 42 LDCs to enable them to maintain in real terms the IPF levels achieved in the fourth cycle, assuming an inflation rate of 6 per cent per annum in the cost of UNDP's services. If overall UNDP resources grow at 8 per cent, only scenarios (9) and (10) enable the 42 LDCs as a group to maintain approximately the level of real IPF resources achieved in the fourth cycle. Even with an overall UNDP resource growth of 10 per cent per annum, only scenarios (9) and (10) provide for any increase in real terms to the LDC group - this time by 12 per cent. All the other scenarios imply declines in real terms.

43. With regard to the share of IPF resources going to LDCs, scenarios (6), (7) and (8) do not lead to any significant increase. The corresponding percentage remains below 50 per cent, irrespective of the growth of the total resources; in certain cases it even drops below the level corresponding to the fourth cycle (46.8 per cent). In the case of scenarios (9) and (10), the resulting percentages (57 per cent to 58 per cent) almost reach the 60 per cent target.

44. To conclude, it appears that only scenarios (9) and (10) and the assumption of a high growth rate (10 per cent of total IPF resources) are consistent with the aspiration of providing significantly higher IPF funding for the LDCs. If a growth rate of 10 per cent for IPF total resources were not reached, then it would be necessary to skew IPF resources in favour of LDCs even more than in scenarios (9) and (10) to ensure an increase in real terms of the IPF funding for these countries.

Notes

1/ UNDP submitted a report entitled "Technical co-operation in the development of the least developed countries" to the Preparatory Committee for the Second United Nations Conference on the Least Developed Countries (A/CONF.147/PC/3/Add.9-TD/B/AC.17/31/Add.9 dated 21 February 1990).

2/ A more extensive statement by UNCDF was submitted to the Preparatory Committee for the Second United Nations Conference on the Least Developed Countries (A/CONF.147/PC/3/Add.2 dated 23 October 1989).

3/ At the time of the First United Nations Conference on the Least Developed Countries in 1981, the General Assembly had classified 31 countries as least developed. Since then 11 additional countries have been added to the list, for a new total of 42 countries. For its part, UNDP, in allocating its resources, has treated a few other countries "as if" they were least developed - currently these include Angola, Nicaragua and Senegal.

4/ If the three supplementary points were not allocated to LDCs, their IPF allocation would be reduced by $285 million, but that sum would then be reallocated among all countries based on the remaining criteria for supplementary shares, and a part (perhaps half) of this sum would thus be reallocated to LDCs.

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SUPPORT

OTHER MATTERS

Reports of the Joint Inspection Unit of interest to UNDP

Note by the Administrator

1. Eleven reports of the Joint Inspection Unit (JIU) have been issued since the last note by the Administrator to the Governing Council (DP/1989/16). Eight of these are of interest or concern to the United Nations Development Programme (UNDP) and to the Governing Council and are the subject of this note. 1/

JIU/REP/89/2 Evaluation of rural development activities of the United Nations system in three African least developed countries (Burkina Faso, Burundi, United Republic of Tanzania)

2. The report was circulated as a document of the General Assembly and the Economic and Social Council under the symbol A/45/76-E/1990/12. It will be before the Council at its second regular session of 1990 and before the Assembly at its forty-fifth session. The report has been reviewed by the Administrative Committee on Co-ordination Task Force on Rural Development.

JIU/REP/89/3 An evaluative assessment of the technical co-operation activities of the International Maritime Organization in relation to maritime training

3. As of the end of February 1990, the report had not been issued as a document of the General Assembly. UNDP provided comments to JIU and the International Maritime Organization (IMO) on various parts of the report of special interest to UNDP and those comments have been fully reflected in the final JIU report. It is expected that the report will be before the General Assembly at its forty-fifth session.

/...

JIU/REP/89/4 Evaluation of the regional project RLA/79/031: Programme on joint studies on Latin American economic integration (ECIEL)

4. The report was circulated as a document of the General Assembly and the Economic and Social Council under the symbol A/45/77-E/1990/10. It will be before the Council at its second regular session of 1990 and before the Assembly at its forty-fifth session. Project RLA/79/031 is a UNDP-assisted regular project; the UNDP contribution to the project ended in 1987 after about eight years of assistance.

JIU/REP/89/5 Review of United Nations public information networks - Reorganization of the Department of Public Information

5. The report was circulated among members of the General Assembly under the symbol A/44/433 and the comments of the Secretary-General as document A/44/433/Add.1. The UNDP comments on the recommendations of JIU concerning the publication entitled World Development are contained in paragraph 27 of document A/44/433/Add.1. The Assembly, in resolutions 44/50 of 8 December 1989 and 44/201 A of 21 December 1989, took note of the report and the related comments of the Secretary-General, including those provided by UNDP.

JIU/REP/89/6 Review of United Nations public information networks - United Nations Information Centres

6. The report was circulated among members of the General Assembly under the symbol A/44/329 and the comments of the Secretary-General as document A/44/329/Add.1. The Assembly, in resolution 44/201 A of 21 December 1989, took note of the report and the related comments of the Secretary-General.

JIU/REP/89/8 Practices and procedures aimed at a more equitable geographical distribution of sources of procurement for technical co-operation projects

7. The report was circulated among members of the General Assembly under the symbol A/44/646. The JIU Inspector addressed the Governing Council at its thirty-sixth session (1989) under agenda item 4 (c) and presented his main findings; the Council adopted decision 89/29 on 30 June 1989. The Governing Council may wish to bear the conclusions and recommendations of the report in mind in considering item 4 (d).

JIU/REP/89/10 Human resource development through technical co-operation

8. The report was circulated among members of the General Assembly under the symbol A/45/113 and will be before the Assembly at its forty-fifth session. Special attention is drawn to recommendations 1 and 1 (a) of JIU (A/45/113, para. 136).

JIU/REP/89/11 From the optical disc pilot project at the United Nations Office at Geneva (UNOG) to an optical disc system for the United Nations

9. The report was circulated among members of the General Assembly under the symbol A/44/684 and the comments of the Secretary-General as document A/44/684/Add.1. The Assembly, in resolution 44/201 B of 21 December 1989, took note of the report and the comments of the Secretary-General thereon. Attention is drawn to recommendation 3 of JIU (A/44/684, para. 63).

Notes

1/ The following additional reports were prepared by the Joint Inspection Unit in 1989: "Report on the Economic and Social Commission for Western Asia (ESCWA)" (JIU/REP/89/1), circulated as a document of the General Assembly and the Economic and Social Council under the symbol A/44/206-E/1989/69 and Corr.1 and the comments of the Secretary-General as document A/44/206/Add.1-E/1989/69/Add.1 (the Council, in decision 1989/191 of 28 July 1989, took note of the report; the Assembly, in decision 44/423 of 8 December 1989 and resolution 44/201 A of 21 December 1989, took note of the report and the related comments of the Secretary-General); "Concluding report on the implementation of General Assembly resolution 32/197 concerning the restructuring of the economic and social sectors of the United Nations system" (JIU/REP/89/7), circulated among members of the General Assembly under the symbol A/44/486 and the comments of the Secretary-General as document A/44/486/Add.1; and "Budgeting in organizations of the United Nations system: Some comparisons (volume I - Comparative analysis; volume II - Comparative tables)" (JIU/REP/89/9), which will be before the General Assembly at its forty-fifth session (A/45/130).

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POLICY

PROGRAMME IMPLEMENTATION

IMPLEMENTATION OF DECISIONS ADOPTED BY THE GOVERNING COUNCIL AT ITS PREVIOUS SESSIONS

The role of UNDP in combating HIV and AIDS

Note by the Administrator

Summary

The Governing Council, in its decision 90/9 of 23 February 1990, called upon the United Nations Development Programme, within the framework of national HIV/AIDS plans, to exercise its role in assisting Governments, at their request, to respond effectively to the problems of HIV and AIDS. It also decided to consider the undertaking by the United Nations Development Programme of a study on the socio-economic impact of the AIDS pandemic in order to enable countries to address the problem and deal with it. The present report is presented to the Governing Council in response to that decision.

GE.90-68103/3617a

I. INTRODUCTION

1. The WHO/UNDP Alliance to combat AIDS was signed by the Administrator of the United Nations Development Programme (UNDP) and the Director-General of the World Health Organization (WHO) on 29 March 1988. This Alliance seeks to ensure a co-ordinated and complementary response to the human immunodeficiency virus (HIV) epidemic by combining the strength of WHO as international leader in health policy as well as in HIV-related biomedical matters and of UNDP as a leader in socio-economic development. The development imperatives are to reduce further transmission of the virus, lessen the personal and social ramifications of HIV infection, and assist Governments in forecasting and planning for the future social and economic impact of the global epidemic. The Administrator has already urged all Resident Representatives, wherever possible, to ensure that HIV/AIDS prevention and care activities be considered in fifth cycle programmes.

II. THE WHO/UNDP ALLIANCE

2. The Governing Council, in its decision 90/9 of 23 February 1990, re-endorsed the WHO/UNDP Alliance. It recognized that the comparative expertise of UNDP in social and economic development would be important in assisting Governments to respond effectively to this threat to the well-being of people. The decision, therefore, called upon UNDP to strengthen its capacity to ensure that Governments can effectively implement their national AIDS plans. Further, in carrying out these activities, UNDP was requested to promote and support the full utilization of community-based organizations in programme development and delivery.

3. The national short- and medium-term plans for the prevention and control of HIV/AIDS have provided a working framework for Governments, donors and non-governmental organizations (NGOs). Increasingly, UNDP field offices are responding to requests from Governments for assistance. For example, UNDP is providing assistance through the fourth country programme for Thailand to implement a series of initiatives designed to minimize transmission through sexual behaviour and drug usage, to secure the blood and the blood product supply and to involve NGOs in prevention and support activities. In the Gambia, UNDP is providing assistance to district-level HIV/AIDS groups involving community-based volunteers. In Sierra Leone, UNDP is providing support to the Government in working with NGOs which operate HIV-testing centres. In many countries, UNDP is a participant in national HIV/AIDS committees and has assisted in the organization of HIV/AIDS donor conferences. At present, approximately $20 million in national indicative planning figures (IPFs) has been committed for or planned for HIV/AIDS prevention and control.

4. With the establishment of activities to respond to the HIV epidemic in virtually all countries of the world, an important but initial stage of the implementation of the Alliance has been completed. In response to Governing Council decision 90/9, the priorities of the next stage for UNDP will be to increase the understanding of the development implications of the epidemic and to strengthen UNDP capacity to assist Governments effectively in this area.

III. THE SOCIAL AND ECONOMIC IMPACT OF THE EPIDEMIC

5. The epidemic is still relatively new. No event or phenomenon in living memory quite parallels it. The impact of the epidemic will be wide-spread, its repercussions, economic and social, affecting both individuals and communities. Without some knowledge of its probable impact, prevention and care programmes will remain primarily directed at those known to be affected. Forward planning to minimize potential economic, psychological and social disruptions will be hampered.

6. The Governing Council decided to consider at its thirty-seventh session (1990) the undertaking by UNDP of a study of the socio-economic impact of the AIDS pandemic in order to enable countries to address the problem and deal with it. UNDP is currently in the process of determining how best to respond to these requirements.

7. The determination of the probable effects of this pandemic will involve an unusually wide range of academic disciplines: not only economics, demography and sociology, but also development studies, psychology, social anthropology, women's studies, ethics, political science, to name some but not all. Thus, there is a need to determine how best such multidisciplinary research can be carried out: by linked but separate research institutions or by multidisciplinary research teams in each institution, for example. All modes of transmission will need to be encompassed: sexual, intravenous drug use, iatrogenic and occupational.

8. In response to the Governing Council decision, UNDP has held consultations with the WHO Global Programme on AIDS, other organs and agencies of the United Nations system, member Governments, financial institutions, including the World Bank, academics and experts. The consensus was that while there was an urgent need to initiate such studies, the long-term nature of the HIV epidemic was such that it was equally important to create the institutional capacity within countries or subregions to establish a programme of research. Studies of the social and economic impact of the HIV epidemic will, to a great extent, be country or community specific and must essentially be linked to national planning processes as well as to policy and programme development and delivery.

9. It is therefore proposed that a preparatory phase be undertaken immediately to review existing research studies and methodologies, to determine the approach to be adopted for programming implementation, to identify potential collaborating institutions and to explore funding modalities. The estimate cost for the preparatory phase is $150,000, which amount will be provided by UNDP from Special Programme Resources (SPR). Consequent to this phase, it is anticipated that a longer-term programme of assistance will be initiated. Substantially increased funding for programme activities, including country-level studies, will be required and could be sought from a variety of sources. UNDP, WHO, the World Bank and other donors will be invited to share in the cost of this programme.

IV. STRENGTHENING UNDP CAPACITY TO RESPOND

10. The HIV epidemic carries with it the requirement for new expertise, new institutional arrangements, new programmes and new financial resources. UNDP is currently in the process of determining how best to respond to these requirements.

11. A number of activities for strengthening UNDP ability to respond, including increasing the capacity of field offices to sustain and strengthen national HIV/AIDS programmes have been initiated. It is planned to prepare a handbook to assist field staff to understand the development implications of the epidemic so that the required support can be provided to Governments in the preparation of country programmes and in programme development and delivery. This handbook will then be used in the country-level training of UNDP staff, executing agencies and Governments. Consultations have already been initiated with WHO and with others on the content and funding of these training courses. There is a need to increase our understanding of the longer-term implications of the epidemic for development assistance. In response to this, UNDP has asked a range of individuals, particularly from countries with more seriously affected populations, to reflect upon its possible future impact on their communities and societies. These reflections will be of assistance in planning for a longer-term response to this emerging global concern.

12. The Administrator seeks the views of the Governing Council on the foregoing proposals.

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REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

Rapporteur: Mr. Mohamed Mahmoud OULD CHEIKH EL GHAOUTH (Mauritania)

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INTRODUCTION

1. The Budgetary and Finance Committee held 15 formal meetings from 28 May through 22 June 1990 under the chairmanship of Mr. Brian Babington (Australia). Mr. Mohamed Mahmoud Ould Cheikh El Ghaouth (Mauritania) served as Rapporteur of the Committee.

2. At its first meeting, the Committee approved the provisional agenda and organization of work contained in annexes I and II, respectively, to document DP/1990/BFC/L.1. The Committee agreed to keep its schedule of work flexible, taking into account the availability of documentation and the number and nature of matters referred to it by the Council.

3. The draft report of the Committee was submitted to the Governing Council in document DP/1990/BFC/L.2 and its addenda and annexes, together with the amendments thereto contained in DP/1990/BFC/L.3 and its addenda. At its thirty-eighth meeting, the Governing Council approved the report of the Committee. The views expressed during the Council's consideration of the Committee's report are contained in document DP/1990/SR.38.

4. The report to the Economic and Social Council on the thirty-seventh session of the Governing Council (E/1990/29) includes, in its annex I, the recommendation of the Budgetary and Finance Committee as approved by the Governing Council.

I. MATTERS REFERRED TO THE COMMITTEE BY THE COUNCIL

5. In accordance with Council decisions 86/53 of 27 June 1986 and 90/1 of 20 February 1990, the following items were initially referred by the Council to the Budgetary and Finance Committee:

(i) Government execution - Item 4 (b) (x)

(ii) Agency support costs - Item 4 (c)

(iii) Procurement from developing countries: procurement policies and practices - Item 4 (d)

6. The discussion of the Committee as regards national execution is incorporated in the section on the revised budget estimates. The Bureau of the Council decided that the items on agency support costs and procurement from developing countries be considered in the plenary.

7. The Committee was asked by the Drafting Group to consider the financial implications of the continuation of United Nations Development Fund for Women (UNIFEM) partial funding under a new formula. Following its consideration of this item contained in the report of the Administrator on the United Nations Development Fund for Women (DP/1990/62), the Committee decided to recommend to the Drafting Group the following paragraph:

Authorizes the continuation of partial funding under a new formula which will include regular adjustments to the reserve levels at least twice a year to reflect the ongoing changes in commitments and resources and to provide greater programming flexibility.

II. UNITED NATIONS POPULATION FUND

8. For its consideration of the financial, budgetary and administrative matters of item 6 of the Council's agenda, the Committee had before it the following documents:

(a) Audit report (DP/1990/50);

(b) Progress of office automation activities during 1989, Report of the Executive Director (DP/1990/51);

(c) Report on senior management structure at UNFPA headquarters and its implications for post classifications (DP/1990/52);

(d) Report of the Executive Director on the criteria and procedures for the establishment of temporary and regular posts in the field and at headquarters and proposal on the conversion of existing temporary local posts in the field (DP/1990/53);

(e) Annual financial review, 1989 (DP/1990/54/and Corr.1);

(f) Report of the Executive Director on proposed revisions to the Financial Regulations of UNFPA (DP/1990/86);

(g) Report of the Advisory Committee on Administrative and Budgetary Questions (DP/1990/55).

9. Copies of document A/44/5/Add.7, containing the UNFPA audited financial statements and the report of the Board of Auditors for the year 1988, were also made available to the Budgetary and Finance Committee.

10. In introducing the United Nations Population Fund (UNFPA) item and the annual financial review, 1989 (DP/1990/54 and Corr.1), the Executive Director informed the Committee that UNFPA total income in 1989 was $185.2 million, an increase of 4 per cent over the total income in 1988. Project allocations had increased by 15 per cent, from $169 million in 1988 to $194.2 million in 1989. Project expenditures had increased by an even higher percentage, 21 per cent, from $130 million in 1988 to $157 million in 1989. Expenditures for administrative and programme support services rose by the same percentage (21 per cent); hence, the ratio of project expenditures to administrative expenditures had remained stable.

11. The Executive Director was pleased to report a substantial reduction in the carry-forwards in UNFPA general resources, from $32 million at the end of 1988 to $8.5 million at the end of 1989. While this was a welcome development, it pointed

to the fact that the Fund's substantially increased level of programming and implementation would require a corresponding increase in resources in future years.

12. Turning to UNFPA senior management structure at headquarters and its implications for post classifications (document DP/1990/52), the Executive Director mentioned that during the previous year all requested classifications had been approved except those of six posts on which the Council had deferred a decision to the current session, namely, the posts of the four Chiefs of the Geographical Divisions at the D-2 level, the post of Chief of the Division for Finance, Personnel and Administration, also at the D-2 level, and the post of Chief of the Resource Development Unit at the D-1 level.

13. The Executive Director pointed out that the 1987 realignment of the Fund had had a far reaching effect on the duties and responsibilities of the Chiefs of UNFPA Geographical Divisions. The Chiefs now had a large degree of authority for independent decision-making in respect of the planning, programming, monitoring and management of the Fund's country and regional programmes. They also had full responsibility for the overall supervision of a large number of staff both at headquarters and in the field.

14. The realignment and subsequent decentralization of project approvals to the field also significantly affected the duties and responsibilities of the Division for Finance, Personnel and Administration. The Division managed all administrative and budgetary functions of UNFPA headquarters and the Fund's field office network. It had taken on many new tasks and developed new initiatives in the area of personnel, and was responsible for providing a wide range of procurement services for headquarters and the field.

15. Activities in the area of resource development had become crucial as the need for international population assistance continued to expand. Sustained efforts were thus required to mobilize further resources in developing as well as developed countries. The Unit was also responsible for the important area of multi-bilateral funding.

16. The Executive Director then introduced the report on the criteria and procedures for the establishment of temporary and regular posts in the field and at headquarters and proposal on the conversion of existing temporary local posts in the field (DP/1990/53). The Fund was requesting the regularization of the remaining 146 local posts in the field in order to complete a process begun in 1986. She stressed that the proposal was cost-neutral and had been fully supported by the Advisory Committee on Administrative and Budgetary Questions (ACABQ) (see para. 8 of document DP/1990/55).

17. Before concluding her remarks, the Executive Director directed the Committee's attention to paragraph 10 of the ACABQ report, in which the ACABQ suggested that reports be issued by the Board of Auditors only in those years in which the Board dealt with audited financial statements and accounts, i.e., on a biennial basis, as was already the case with the Audit Reports of the United Nations.

18. The Deputy Executive Director introduced the documents pertaining to the proposed revisions to the Financial Regulations of UNFPA (DP/1990/86) and the audit

report (DP/1990/50). He noted that the proposed amendments to regulations 16.1, 16.3, 17.1 and 17.2 were the same as those submitted by UNDP for the same regulations. The other amendments proposed in the report were in response either to General Assembly resolutions and Governing Council decisions adopted after the latest revision of the Fund's Financial Regulations (June 1984) or to needs identified in a review of UNFPA Financial Regulations.

19. Regarding the document on audit reports, the Deputy Executive Director noted that UNFPA had taken steps to address the qualification of the Board of Auditors on UNFPA financial statements for 1988. These included, among others, the proposed revisions to the Fund's Financial Regulations presented in document DP/1990/86; stepped-up efforts to ensure full compliance with UNFPA financial reporting and audit requirements of all government- and NGO-executed projects financed by UNFPA; and the integration of the Fund's major regular publications into the administrative and programme support services (APSS) budget, as well as the full integration of all regular staff at headquarters and in the field into the APSS budget.

20. The Chief of the Programme Co-ordination, Management and Field Support Office introduced the report on the progress of office automation activities during 1989 (DP/1990/51). He noted that UNFPA had begun efforts to develop a viable organizational structure for the Management Information Services (MIS) Unit and to establish office automation standards for both the field offices and headquarters. He emphasized that UNFPA had made considerable progress in the installation of computer hardware and software at headquarters and in the field, as well as in the development of a number of data bases designed to enhance programme management. He then reviewed related staff training activities of the past year, and discussed planned office automation activities for 1990, with emphasis on those in the area of system development, including a field-oriented project monitoring system.

Summary of the discussion in the Committee

21. Delegates thanked the Executive Director for her informative introductory statement and for the comprehensive documentation submitted to the Committee.

22. Much of the discussion in the Committee centred on the proposed classifications of the six posts referred to in paragraph 12 (e) of decision 89/49, of 30 June 1989. While there was general consensus among delegates that the growing role of UNFPA in the population field had been paralleled by the organization's operational and financial growth, there was a difference of opinion as to the implications of that growth on the classification of posts at the senior level in the Fund. Numerous delegates, citing the comprehensiveness of the report on the senior management structure of the Fund, supported the Executive Director's proposal on the upgrading of the six posts. They noted, among other things, the considerable increase in the responsibilities and functions of each of the posts and the desirability and appropriateness of the upgradings in terms of maintaining contacts with government officials at the highest levels.

23. Several delegates, however, expressed reservations regarding the proposal, requesting more detailed information on the different tasks and responsibilities

performed by the four Chiefs of the Geographical Divisions, as well as on the number of projects/programmes handled by each and the volume of financial and technical resources of each Division. These same delegates also asked if the Executive Director had established priorities among the six posts proposed for upgrading. One delegate, citing the need for more information on the budgetary implications of the proposal, recommended deferring the decision until the following session, discussing the matter within the context of the proposed budget for 1992-1993. Two delegates, while acknowledging the increase in responsibilities and the analytical skills, good judgement and independence required of these posts, remained unconvinced by the information presented in document DP/1990/52 that the upgradings were warranted.

24. Concerning the related matter of the overall structure of the Fund, several delegates expressed their concern that the upgradings would produce a top-heavy UNFPA. They were also concerned about the gap that would result between Division Chiefs at the D-2 level and Deputy Chiefs at the P-5 level, should the Council approve the classifications now requested. In that context, some expressed their concerns about the potential for the upgrading of the posts of deputy chief to D-1 and sought reassurances from the Executive Director that such was not the Fund's intention. Those delegates generally agreed with the ACABQ concern that there be no further organizational changes with attendant requests for reclassification in the near future. Others, however, cautioned against adopting overly restrictive policies concerning the organization's structure. They stressed that a dynamic organization must constantly reassess its personnel needs and, if necessary, make adjustments to meet changing needs.

25. While most delegates generally supported the Executive Director's request to convert the 146 remaining temporary local posts to regular posts, some expressed reservations. One delegate questioned whether the conversion of all 146 posts at one time would hamper the flexibility of the organization. Several others stated they would have liked more information on the financial implications of the termination of permanent contracts, should such action be required in future.

26. With regard to the proposed revisions to financial regulations, several delegations sought clarification on individual revisions. One asked if the revision of regulation 6.1 constituted a substantive change or merely a change in language. Others requested background information on regulation 4.11, concerning private donations to UNFPA. Addressing the proposed revisions of regulations 17.1 and 17.2, concerning the reporting procedures of the external audit, two delegations recommended maintaining some form of external audit report during the intervening years of the biennium. Numerous others agreed with the ACABQ view that there was no compelling reason for the Board of Auditors, in the intervening years, to be required to submit to the Governing Council and the General Assembly, through ACABQ, a report on substantive matters.

27. With regard to office automation activities, there was general consensus among delegates that UNFPA had made good progress during the preceding year. One delegate, noting the difficulties his agency had encountered in adding special applications to the local area network (LAN), offered to share his agency's experiences with UNFPA and to assist the Fund in that area. Another delegation asked if UNFPA considered the reduction of staff in the future as one of the

benefits of office automation. She also asked if UNFPA's office-automation system was compatible with the systems of other United Nations organizations, especially in the field. She further requested additional information about training programmes for field staff, as well as about the estimated costs of the overall training programme. In that context, one delegate stressed the cost-effectiveness of tailoring staff training to the particular needs of individuals, rather than training all staff in all software applications. Another delegate asked about the status of various data bases, in particular the population indicators' data base and the data base related to gender considerations in UNFPA-funded projects, and if those data bases were available to third parties.

Response of the Administration

28. The Executive Director thanked delegates for their support and for their positive statements concerning the operations of the Fund.

29. In response to delegates' questions and observations about the classification of the six posts referred to in paragraph 12 (e) of decision 89/49, the Executive Director noted that the structure of the Fund was more or less set and that she did not intend to make any structural changes in the near future. However, she agreed with the delegate who stressed that a dynamic organization must constantly reassess its personnel needs and, if necessary, make adjustments in order to meet changing needs. As to delegates' concerns regarding the upgrading of deputy division chiefs from the P-5 to the D-1 level, the Executive Director stressed that those posts had already been considered by the Classification Panel and had been classified at the P-5 level. With regard to the question concerning establishing priority among the posts currently submitted for classification, she said she could not do that. In her opinion, each post warranted the rating recommended. In terms of the posts of Chiefs of the Geographical Divisions, she stressed that the level of functions and responsibilities was exactly the same for each post. The fact that one division had more projects, staff or resources was, in her opinion, not significant. Each had to oversee a complex, decentralized field operation, and each had to deal with the highest levels of government on a routine basis.

30. With regard to the conversion of the 146 temporary local posts, the Executive Director reiterated that there was no cost implication in the proposal. The Fund's primary objective was to complete a process of regularization that had begun in 1986.

31. With regard to the questions concerning the proposed revisions of financial regulations, the Chief of the Division for Finance, Personnel and Administration noted that the text of regulation 6.1 had been revised in order to eliminate ambiguity, and thus did not constitute a change in the substance of the regulation. Regulation 4.11 on individual donations had been introduced in 1983. Its primary purpose was to avoid undue influence by individuals making large contributions or the appearance of such influence. However, the ceiling of $25,000 was seen to be too low. The Council, therefore, had authorized the Executive Director to accept, on behalf of UNFPA, individual donations of up to $100,000 without the prior approval of the Council (decision 88/36).

32. In response to the queries on office automation, the Chief of the Programme Co-ordination, Management and Field Support Office thanked delegates for their valuable suggestions and positive comments. He welcomed the offer of technical support, especially since UNFPA, too, had encountered difficulties in adding special applications to the LAN. Concerning the question of whether the reduction of staff was one of the envisioned long-term benefits of office automation, he replied that it was not. Rather, the aim of office automation was to reduce repetitive, time-consuming tasks so as to enable existing staff to devote more time to more innovative and analytical work. Regarding the cost of training in office automation, he noted that the Council had approved $360,000 in the current biennium for that purpose. In response to the query on compatibility with other agencies, he said that the Fund had started exploring the issue with such organizations as the International Labour Organisation (ILO), the World Health Organization (WHO), the United Nations Educational, Scientific and Cultural Organization (UNESCO), the Food and Agriculture Organization of the United Nations (FAO) and the Department of Technical Co-operation for Development (DTCD). Regarding the data bases, he said that the population indicators' data base had been operational since the latter part of 1989 and was available to third parties. The data base related to gender considerations was still in the design stage, as work on it had just gotten under way.

Further discussion in the Committee

33. Referring to the figures on income and expenditure of UNFPA trust funds provided in table 7 of the annual financial review, 1989 (DP/1990/54), one delegate noted that the unexpended balance in both 1988 and 1989 was quite high. He asked if that meant that there had been a problem in the disbursement of multi-bilateral funds.

34. Another delegate sought clarification concerning UNFPA financial procedures on the generation of interest income on advances to government-executed projects. She noted that whereas UNDP made such advances on a monthly basis, UNFPA made its advances on a quarterly basis. She was concerned that UNFPA did not seem to have financial regulations governing such arrangements. She suggested therefore that UNFPA should harmonize its arrangements with those of UNDP.

35. Several delegates noted their general concern with the modality of the government execution of projects. One noted that many of the problems with the modality were common to all aid agencies and thus all donors could benefit from sharing their experiences with others. Another delegate felt that the modality did not seem to be working as smoothly as one would wish. Citing the data provided in annex II of document DP/1990/54, he noted the relatively low rate of expenditures against advances, in particular the more than $10 million in outstanding balances at year end in 1989.

36. Two delegates expressed concern about the reference in the Executive Director's statement to the Council's plenary session regarding her intention of designating her two top assistants as Deputy Executive Directors instead of their current designations of Deputy and Assistant Executive Director. They stressed the

importance of maintaining clear lines of authority, and asked if that constituted an organizational change.

Response of the Administration

37. With regard to the question on the disbursement of multi-bilateral funds, the Chief of the UNFPA Finance Branch explained that the balances existed because, according to UNFPA's rules, trust funds must be fully funded. That meant that payments by donors must precede commitment for disbursements. Thus, the large balances reflected early payments of multi-year commitments.

38. Concerning advances to government-executed projects, the Deputy Executive Director noted that UNFPA did in fact have regulations and rules governing such arrangements, namely financial regulation 13.6 and financial rule 104.6. He further explained that from time to time UNFPA issued a circular to executing agencies reminding them that interest income had to be fully accounted for. Any interest so accrued was then deducted from the money disbursed for the next three-month cycle.

39. In response to the observations concerning the government execution of projects, the Deputy Executive Director welcomed the opportunity to share experiences with all donors with the aim of finding ways of improving accountability of government execution. Regarding the $10 million in outstanding balances, the Chief of the Division for Finance, Personnel and Administration explained that it was in part a reflection of recently adopted accounting procedures as recommended by the external auditors.

40. With regard to delegates' questions concerning the Executive Director's intention of designating her two top assistants as Deputy Executive Directors, the Executive Director noted that there was no intention to change the top management structure of the Fund. The responsibilities of the two Assistant Secretaries-General would continue to be exactly the same as in the past. One of the Deputies would be designated as the second in command in the Fund and would be officer-in-charge of UNFPA in the absence of the Executive Director. This would ensure a clear line of authority from the Executive Director downwards.

41. The Deputy Executive Director reported on the status of sharing common premises with UNDP in the field. He reiterated the desire of UNFPA to continue the previous arrangement by which the UNDP Reserve for Field Accommodation was used to provide loans to Governments for the construction of office space not only for UNDP, but also for UNFPA. UNFPA proposed to review the matter further with UNDP and other Joint Consultative Group on Policy (JCGP) member organizations over the coming months and to prepare a submission to seek the Council's guidance at the thirty-eighth session.

Recommendation of the Committee

42. Following its consideration of this item, the Budgetary and Finance Committee recommended that the Council adopt the following decision:

The Governing Council,

Having considered the audit reports (DP/1990/50); the report of the Executive Director on progress of office automation-activities during 1989 (DP/1990/51); the report of the Executive Director on senior management structure at United Nations Population Fund headquarters and its implications for post classifications (DP/1990/52); the report of the Executive Director on the criteria and procedures for the establishment of temporary and regular posts in the field and at headquarters and proposal on the conversion of existing temporary local posts in the field (DP/1990/53); the annual financial review, 1989 (DP/1990/54 and Corr.1); the report of the Advisory Committee on Administrative and Budgetary Questions (DP/1990/55); and the report of the Executive Director on proposed revisions to the Financial Regulations of the United Nations Population Fund (DP/1990/86),

Recalling its decision 89/49 of 30 June 1989,

1. Takes note of the report by the Executive Director on senior management structure at United Nations Population Fund headquarters and its implications for post classifications (DP/1990/52), and requests the Executive Director to take appropriate account of the comments and concern expressed by delegations concerning future reclassification as well as the financial implications and the need for strengthening the United Nations Population Fund field network;

2. (a) Approves the classification at the D-2 level of the posts of Chief of each of the four Geographical Divisions, as well as of the post of the Chief, Division for Finance, Personnel and Administration;

(b) Approves the classification at the D-1 level of the post of Chief, Resource Development Unit;

3. Decides to establish, in the administrative and programme support services budget for the biennium 1990-1991, as regular posts, those 146 temporary local field posts referred to in paragraphs 7 and 9 of decision 88/36 of 1 July 1988;

4. Takes note with satisfaction of the progress being made in the implementation of the Strategy of Office Automation, as reported in document DP/1990/51, in particular the steps taken by the Fund in the areas of management information services personnel resources, installation of hardware and software at the field and headquarters levels and of the development of management information system data bases specifically designed to strengthen programme development capacity of the Fund;

5. Takes note of the annual financial review, 1989 (DP/1990/54);

6. Takes note of the audit reports (DP/1990/50) and anticipates with interest the proposals to be submitted to the Governing Council at its thirty-eighth session (1991) by the Executive Director on the ways and means to strengthen the Fund's accounting systems and accountability controls both at headquarters and in the field;

7. Approves revisions to the financial regulations of the United Nations Population Fund as proposed by the Executive Director in her report on this subject (DP/1990/86), allowing the Executive Director to submit audited financial statements of the United Nations Population Fund to the General Assembly and the Governing Council, through the Advisory Committee on Administrative and Budgetary Questions, on a biennial basis, beginning with the biennium 1990-1991;

8. Invites the Board of Auditors to issue a special report for the first year of each biennium through the Advisory Committee on Administrative and Budgetary Questions, if in the opinion of the Board there are matters which need to be brought to the attention of the Governing Council and, if appropriate, to the General Assembly;

9. Requests the Executive Director to determine whether the Financial Regulations of the United Nations Population Fund need to be amended and to report the results of her findings to the Governing Council at its thirty-eighth session (1991).

43. The Governing Council subsequently adopted decision 90/36.

III. OTHER FUNDS AND PROGRAMMES

44. The Committee reviewed the financial implications contained in the following documents:

(a) The report of the Administrator on the United Nations Volunteers programme (DP/1990/57 and DP/1990/57/Add.1);

(b) The note of the Administrator on the focal point for short-term advisory services (DP/1990/58);

(c) The report of the Administrator on the United Nations Fund for Science and Technology for Development; and

(d) The United Nations Revolving Fund for Natural Resouces Exploration (DP/1990/59);

(e) The report of the Administrator on activities of the United Nations Sudano-Sahelian Office (DP/1990/61);

(f) The report of the Administrator on the United Nations Development Fund for Women (DP/1990/62);

(g) The report of the meeting of technical co-operation experts of Governments on examining the rules, regulations and procedures of organizations of the United Nations development system concerning technical co-operation among developing countries (DP/1990/77).

45. The summary of the debate in the Committee is contained in chapter IV. B. Revised budget estimates for 1990-1991.

IV. FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

A. Annual review of the financial situation, 1989

46. For its consideration of item 9 (a) of the Council's agenda, the Committee had before it the report of the Administrator on the annual review of the financial situation 1989 (DP/1990/64), the report of the Administrator on the net flow of contributions by donor and recipient Governments (DP/1990/64/Add.1) and the report of the Advisory Committee on Administrative and Budgetary Questions (DP/1990/87).

47. The Associate Administrator introduced the item by noting that the report provided a comprehensive review of UNDP financial activities in 1989. He was pleased to report that programme expenditures in 1989 had continued to increase when compared with previous years. The total field programme expenditure amounted to $897.6 million, or 8 per cent greater than in 1988. It was, however, about 4.8 per cent below the forecast. As explained in the report, various factors had contributed to that situation. On the income side, UNDP received $932.6 million in voluntary contributions in 1989. That was marginally higher than the 1988 figure but approximately 5 per cent less than the target set the previous year. The main reason for the shortfall was the continued strengthening of the dollar. The net result was a greater-than-expected decrease in the balance of general resources held by UNDP.

48. The balance as at 31 December 1989 was $523.2 million, $57.7 million less than the balance held at the end of 1988 and $42.1 million less than that projected at the thirty-sixth session of the Governing Council. As had already been explained, the gradual build-up of programme expenditure would result in a substantial reduction in the balance of general resources in the years 1990 and 1991. For 1990, the indicative planning figure (IPF) expenditure target was $815 million, some $86 million more than the actual expenditure for 1989. Expenditures for 1991 were being projected to reach $860 million. Current approvals and pipeline projects indicated that UNDP would be able to sustain that level of expenditures over the next several years. If the projected expenditure levels were achieved, UNDP would expect the balance of resources held at the end of 1991 to be reduced to $215-160 million if non-convertible currency holdings of UNDP were excluded.

49. The Associate Administrator noted that the document included information on cost-sharing activities, the Special Measures Fund for the Least Developed Countries (SMF/LDC), management and other support services, the Operational

Reserve, accumulated non-convertible currencies, and agency support costs paid under flexibility arrangements for the smaller agencies. With regard to the Operational Reserve, the Governing Council was being requested to approve an amendment to the present formula, the details of which were contained in the paper on the fifth programming cycle (DP/1990/43 and Add.1).

50. With respect to the Reserve for Field Accommodation, the Governing Council was being requested to approve three decisions for the utilization of the Reserve. First, the Administrator was requesting the Council to approve continuation of the authority to overcommit the Reserve, by $10 million, while ensuring, of course, that actual cash disbursement would not at any time exceed $25 million. Second, an authorization was being sought to increase within the Reserve the amount for rehabilitation from $650,000 to $2.2 million. Third, the Council was being requested to approve the use of the Reserve for the purchase and construction of office accommodation. Approval of this authority would enable all JCGP members jointly to fund common premises and maintain its thrust in that direction.

51. Finally, the Associate Administrator apprised the Governing Council of the current status of the UNDP systems review. The United Nations was also undertaking a major review of its systems. UNDP had discussed the possibility of implementing a common electronic data processing system with the United Nations, which could avoid duplication and thus substantially reduce the cost to UNDP. It was expected that a review of both systems would be completed by the end of 1990 and on that basis, the Council would be advised of the possibility of implementing common computerized systems.

Summary of the discussion of the Committee

52. A number of delegates stressed the importance they attached to the work of the Budgetary and Finance Committee. Several delegates noted that there had been only a marginal increase in voluntary contributions and in that connection requested clarification regarding the shortfall against the targets. One delegate expressed concern about exchange rate losses recorded by UNDP and asked whether measures could be taken to limit UNDP exposure. Another delegate stressed the importance of government local office cost contributions. Several delegates took note of the level of outstanding contributions and underlined the importance of the prompt payment of pledges for a voluntarily funded organization. One delegate stated that further progress should be made on the issue of the accumulation of non-convertible currencies. Several delegates requested UNDP to adopt a cautious approach with regard to the rate of increase of future contributions in its financial planning.

53. Delegates referred to programme expenditures and expressed satisfaction with the continuing increase in delivery - both achieved and projected. The shortfall against the target was also commented on; one delegate considered the explanations provided by the Administrator insufficient and requested more detailed information. Several delegates noted the improvements in programme management in recent years. Some delegates expressed concern that an increase in delivery should not be at the expense of quality and requested assurances in that regard.

54. Delegates noted that expenditure was in excess of income and requested clarification regarding the long-term implications of deficit financing. Several delegates stressed the importance of keeping administrative costs in line with the growth of contributions and programme expenditures. One delegate commented on the conservative nature of UNDP programme management, noting that while on the income side calculations were on a cash basis, on the expenditure side they were on an accrual basis, including both disbursements and unliquidated obligations.

55. Several delegates commented on the Administrator's proposal with regard to the SMF/LDC to release 90 per cent of the amount of pledges for programming soon after the formal pledges. Many delegates agreed to the Administrator's proposal. One delegate considered that no decision should be taken prior to the Second United Nations Conference on the Least Developed Countries. Another delegate questioned whether 90 per cent was too high a percentage and proposed 60 per cent instead. Many delegates supported the Administrator's proposal with regard to a revised methodology for calculating the level of the Operational Reserve. It was noted that the level of the reserve was also dealt with in the context of the fifth cycle paper (DP/1990/43 and Add.1). While one delegate expressed concern that the proposal might leave the Reserve at an unnecessarily high level, others stressed the importance of the Reserve and the need for it to be adequately funded. The importance of realistic programme planning and of close monitoring of the financial situation was stressed.

56. Many delegates supported the Administrator's proposals with regard to the Reserve for Field Accommodation. Regarding the use of the Reserve for the purchase and construction of office accommodation, one delegate questioned whether it involved a change of policy in so far as UNDP was concerned. Several delegates cautioned UNDP not to try to enter the real estate business but at the same time expressed support for the UNDP proposal. One delegate requested clarification as to whether the UNDP proposal was limited to the case of joint premises.

57. Finally, with regard to the issue of UNDP systems review, several delegates expressed interest in the item and supported the direction UNDP was taking. One delegate requested further clarification as to the current situation.

Response of the Administration

58. The Director of the Planning and Co-ordination Office (PCO) stressed that the current excess of expenditure over income was a result of the current liquidity position of UNDP and constituted an element in the UNDP strategy to draw down the balance to permit higher programme expenditures. As balances were drawn down, expenditures would be budgeted to be in line with income. The current deficit financing situation was, therefore, of a short-term nature, was intentional, and posed no long-term risks to the Organization. The Director confirmed the continuing validity of the planning assumptions made at the time of the special session of the Governing Council held in February 1990, when the last 25 per cent of IPFs and Special Programme Resources (SPR) authorized by decision 88/31 of 1 July 1988 were released for programming.

59. The Director then addressed the issue of the quality of projects and the need to ensure that increased delivery was not attained at the expense of quality. In that regard, the Director noted the role played by the Action Committee and the Programme Review Committee at headquarters and local Programme Action Committees in the field. In addition, he referred to other tools available to enhance project quality, such as the newly formulated project formulation framework and the project development facility. In sum, he stated that the issue of project quality would continue to receive the highest priority.

60. The Deputy Director of the Division of Finance (DOF) provided clarifications with regard to the exchange rate losses incurred by UNDP. He noted that UNDP exchange rate operations had been recently reviewed in depth and that every measure possible was being taken to limit UNDP exposure. With regard to the Administrator's proposal relating to the SMF/LDC, the Deputy Director stressed that the proposal related to resources already pledged and was therefore altogether distinct from any partial funding concept. In that regard, he noted that the SMF/LDC had a 100 per cent record of payment of contribution against pledges. Furthermore, he noted that the 90 per cent figure would not be applied automatically but in the light of experience. It was against that background that the Administrator had made his proposal.

61. The Deputy Director stressed the importance of the Operational Reserve being maintained at a level that could sustain the overall operations of the programme for a limited period. The proposed level would in fact provide resources for only two months. With regard to the request for authority for the purchase and construction of office accommodation, he confirmed that the request was in relation to the establishment of common premises. Finally, he provided additional information with regard to the UNDP systems review and stressed the strong interest of UNDP in working closely with the United Nations in that area to ensure cost savings.

Recommendations of the Committee

62. Following its consideration of the subject, the Committee recommended that the Governing Council adopt the following decision:

The Governing Council,

1. Takes note of the report of the Administrator on the annual review of the financial situation (DP/1990/64 and Corr.1 and Add.1) and the observations and comments made by its members thereon;

2. Notes the Administrator's comments on the level of the Operational Reserve;

3. Further notes the Administrator's expenditure targets over the balance of the cycle, which should, in his view, enable continuous growth in programme expenditures into the fifth programming cycle;

4. Requests the Administrator to continue to review the expenditure targets, taking into account the actual contributions received, and to establish his expenditure projections to ensure as smooth a transition as possible to the fifth programming cycle;

5. Recognizes that the timing of the implementation of a common system may require funding before the Governing Council has the opportunity to review fully the budgetary implications and requests the Administrator to report to the Council on the status of the systems review project and the feasibility of developing a common system with the United Nations, at its special session in February 1991;

6. Strongly urges Governments, in accordance with agreements of host countries, to provide or assist the United Nations Development Programme to the maximum extent possible in obtaining office accommodation, preferably to be shared by the members of the Joint Consultative Group on Policy;

7. Authorizes the Administrator:

(a) To overcommit the Reserve for Field Accommodation by $10 million, including existing commitments, while ensuring that funds disbursed do not exceed $25 million at any time;

(b) To increase the funds available for the rehabilitation of existing houses to $2.2 million, within the existing amount of the Reserve for Field Accommodation;

(c) To utilize, as a last resort, the Reserve for Field Accommodation to purchase office accommodation when such purchase would be shared with organizations of the Joint Consultative Group on Policy and, to the extent possible, with other United Nations organizations in the field;

8. Notes the Administrator's comments on the Special Measures Fund for the Least Developed Countries and the procedures which have been implemented to permit earlier programming of resources.

63. The Governing Council subsequently adopted decision 90/44.

B. Revised budget estimates for 1990-1991

64. For its consideration of agenda item 9 (b), the Committee had before it the report of the Administrator on revised budget estimates for the biennium 1990-1991 (DP/1990/65) and the report of the Advisory Committee on Administrative and Budgetary Questions (DP/1990/87).

65. The Administrator made an introductory statement which highlighted the major issues to be considered. These included a further review of the senior management structure, proposals relating to post reclassification in UNDP core and the Office for Project Services (OPS), headquarters support to national execution, short-term advisory services and the presentation of the UNIFEM biennial budget estimates.

66. He reviewed the routine cost adjustments, including the cost increases relating to the International Civil Service Commission (ICSC) package approved by the General Assembly. In presenting the senior management structure, the Administrator indicated that his proposals were modest. The structure was tried and true and, in his view, was not in need of a major change. He assured the Governing Council that the guidelines provided by the Council had been taken into account in preparing his proposals. He provided additional support for his proposal to maintain the head of the Bureau for Finance and Administration (BFA) at the Assistant Secretary-General (ASG) level. He also stressed the need to maintain the head of OPS at the ASG level.

67. The Administrator then addressed his proposals regarding the reclassification of core posts, stressing that the request represented the first general proposal regarding reclassification since 1986. He indicated that his proposals regarding the Division of Personnel (DOP) reflected that the management of human resources was a high priority in UNDP. The posts in the Regional Bureaux took into account the volume of work handled and its complexity. The proposal for the Technical Advisory Division (TAD) reflected the expansion of the qualitative and quantitative role played in UNDP.

68. The proposals for reclassification in OPS responded to the level of responsibility of the posts. The Administrator further stated that a comparison with Regional Bureau structure would support his proposals.

69. The Administrator closed by presenting his proposal to provide support to accounts and audit for national execution efforts, and to incorporate short-term advisory services (STAS), in future to be called short-term advisory resources (STAR), in the budget. Other issues of importance to be discussed included the significant cost adjustments resulting from changes in conditions of service and the UNIFEM budget for 1990-1991.

Summary of the discussions of the Committee

70. Delegates commended the Administrator on his deployment of the volume increase approved in decision 89/59 of 30 June 1989, in particular the increased staffing in the DOP and the Central Evaluation Office (CEO). Several delegates noted the ratio of General Service to Professional staff and questioned why computerization had not resulted in General Service staff savings. Most delegates supported the Administrator's merging the United Nations Fund for Science and Technology (UNFSTD) and the United Nations Revolving Fund for Natural Resources and Energy (UNRFNRE) and questioned whether similar mergers of other funds, such as UNIFEM and the Division for Women in Development, would be possible. Several delegates fully supported the Administrator's proposals, stating that UNDP needed a structure and personnel which responded to its mission and to the evolution of the programme. Failure to act on the proposed structure would not be appropriate; UNDP should be given the structure, financial means and staffing to respond adequately and professionally to its mission. Other delegates felt that, with the major issues of national execution, support costs and the fifth programming cycle still under discussion, consideration of a revision of the senior management structure might be premature. Many delegates supported the strengthening of the field offices rather

than of headquarters and encouraged further decentralization. Some delegates expressed concern about the number of project-funded posts located at headquarters.

71. Delegates commented at length on the Administrator's proposals regarding the senior management structure. Several delegates expressed concern that the review of senior management provided by the Administrator did not constitute the comprehensive review requested by the Council at its previous session. A number of important issues regarding the senior management structure that ought to have been discussed were ignored. These issues included arguments for and against a structure with two Associate Administrators and converting one of the ASG posts into a second Associate Administrator post, the number of units reporting directly to the Administrator, and the responsibilities entrusted to the Assistant Administrators. Many delegates expressed the belief that further detailed consideration should be given to the merging of DOP into BFA. In that connection, many delegates confirmed the importance they attached to a strong BFA, which was critical to the effective operation of an organization such as UNDP. Several delegates also questioned the Administrator's arguments for the inclusion of PCO and the Division for Global and Interregional Projects (DGIP) in the office of the Administrator. One delegate sought clarification regarding the relationship of the different functions performed by the Division of External Relations (DER). A number of delegates considered that both UNIFEM and the Special Unit for Technical Co-operation among Developing Countries (TCDC) seemed to fit well into the new Bureau for Resources and Special Activities (BRSA). If there were reasons of a formal nature to prevent that, then those reasons should be addressed. One delegate expressed regret that the overall number of senior-level posts had not been reduced and requested the Administrator to submit new proposals in that regard. Another delegate expressed the view that OPS should be merged into BRSA. A number of delegates considered that it was the Administrator's prerogative to manage the organization and that while the Governing Council should not seek to exercise micro-management it should hold the Administrator accountable for results. Several delegates remained unconvinced by the arguments put forward by the Administrator in support of his proposed senior management structure and considered that the proposal needed to be further reviewed, in particular the issue of the number of units reporting directly to the Administrator.

72. Delegates generally supported the ACABQ statement regarding the D-1 reclassification of core posts, i.e., that deficiencies in the salary system could not be addressed through the reclassification of posts. Similarly, general support was stated for the ACABQ positions regarding the OPS reclassifications, although the Administrator's proposals in that area were supported by one delegation. Several delegates supported the proposed reclassification of posts up to the P-5 level. With respect to the OPS recommendations on reclassification, delegates generally supported the ACABQ comments, with several exceptions. Several delegates commented on the apparent top-heavy structure and cautioned against further upgradings which would accentuate that position.

73. Delegates generally supported the UNIFEM biennial budget proposals. One delegate requested additional information regarding increases in some objects of expenditure. Delegates noted the proposals on the United Nations Volunteers (UNV), STAS, headquarters support to national execution and cost adjustments. With regard to national execution, several delegates stressed the importance of field-oriented

support. Many delegates felt that with the move to more national execution a strengthened BFA was essential. Some delegates questioned whether BFA merited an ASG post if DOP were excluded, whereas other delegates approved the ASG post but encouraged close co-ordination between BFA and DOP.

Response of the Administration

74. The Administrator, Associate Administrator and the Chief of Budget Section responded to observations of the delegates.

75. The Associate Administrator commented on the senior management structure by highlighting the growth of OPS, its increased responsibilities and the fact that the Assistant Administrator level had been in effect since 1988. As long as the work of OPS continued it was appropriate to continue the position at that level. With regard to the BFA grading, he stated that the previous incumbent had had a special post allowance (SPA) to the Assistant Administrator level, as had been noted by ACABQ in 1988. He noted that the close co-ordination between BFA and DOP suggested by ACABQ was already being implemented. Regarding questions on the Administrator's span of control, he indicated that the UNIFEM and Special Unit for TCDC legislation required a direct reporting relationship and that DGIP had a reporting relationship similar to that of the Bureaux, but that the possibility of further departmental mergers would always be kept under review.

76. Regarding reclassification, the Associate Administrator noted that while a number of detailed justifications had been provided to ACABQ, the salary deficiency point had been the only one cited. He confirmed that all jobs had been classified in accordance with ICSC standards at the higher levels and that the reclassification recommendations were based on a strict evaluation of job content and not on salary considerations. The new Bureau for Resources and Special Activities was a continuation of the Bureau of Special Activities (BSA) with the addition of the Division of Information (DOI) and the Resources Mobilization Unit (RMU).

77. The Chief, Budget Section, responded to technical questions posed by delegates. He noted that the large number of General Service staff performed para-professional functions, not secretarial functions, and so traditional Professional/General Service staff ratio calculations could be misleading. He explained the differences between Transfer of Knowledge through Expatriate Nationals (TOKTEN), STAS and Development Support Services (DSS), which made a merger inappropriate and responded to questions on the UNIFEM budget presentation. Regarding the reclassification exercise, he indicated that ACABQ had been provided with the detailed grading sheet for each post.

78. The Administrator indicated that OPS responded to needs outside the mandates of agencies and did not compete with agencies. He stated that salary levels created a major problem but reclassification was justified by the level of responsibilities. He indicated that he appreciated the requests to reduce senior staff but indicated UNDP had more functions to perform and higher levels of responsibility. He noted that two Associate Administrators could create communications problems, citing previous experience in the area.

Summary of further discussions of the Committee

79. Delegates again questioned the timing of restructuring proposals citing other major issues which could impact on structure. One delegate, while not subscribing to all observations made by ACABQ, appreciated the function it performed. Other delegates expressed concern about the priorities reflected in the ACABQ report and its consistency. Another delegate indicated that external consultants should not be used to justify reclassification. Another delegate noted that in an off-budget year, major issues were being presented.

Response of the Administrator

80. The Associate Administrator made a comprehensive statement on each post presented for reclassification. He reiterated that items presented were carried forward at the Council's request from 1989.

Further discussions on the United Nations Volunteers programme

81. The item on funding additional UNV Programme Officers, to serve in UNDP field offices, was referred to the Budgetary and Finance Committee from the plenary session on UNV, held on 13 June 1990.

82. In her introductory comments, the Executive Co-ordinator of UNV made reference to Governing Council decision 88/46 of 1 July 1988, which had established a scheme for funding the initial batch of 40 UNV Programme Officer posts under the administrative budget. Many delegates at the plenary meeting had subscribed to the view that the growth of the UNV programme over the biennium, measured in terms of an increase of over 600 serving UNV specialists, fully justified the funding of an additional 20 UNV Programme Officer posts, effective 1 July 1990, based on the original criteria, which included the number of serving UNV specialists.

83. In order to meet the costs of the additional 20 posts, an extra amount of $1.1 million would need to be allocated from the administrative budget for the period 1 July 1990 to 31 December 1991.

84. Most of the delegates favoured the proposal for the additional budgetary allocation, recalling the support given to it during the plenary discussions. Several delegates expressed their unreserved endorsement of the proposal in its present form, and their encouragement for the steps taken so far to decentralize decision-making to the field, in which the Programme Officers played such a key role. A number of queries were also raised, to which the Executive Co-ordinator subsequently responded.

85. The appropriateness of raising such a budget issue in an off-budget year, when it was not included in the Administrator's budget document, was questioned. Another delegate asked whether savings in UNV headquarters staff could not be used to finance some of the field posts.

Response of the Executive Co-ordinator

86. The Executive Co-ordinator responded to the questions raised.

Final discussions of the Committee

87. After the recommendation of the Committee contained in paragraph 94 below, the following discussion took place.

88. One delegate stated that he had joined the consensus on the decisions adopted by the Committee on the revised budget estimates, particularly the section relating to the Senior Management Structure, since it was a product of intensive, lengthy and sometimes difficult negotiations. Although the delegate had joined the consensus, he had serious reservations about the main thrusts of the decision. He believed that excessive intervention in the management of UNDP operations was not indicated. He acknowledged that the Governing Council had the authority and a role in the overall guidance and direction of the administration and management of the organization. Nevertheless, he believed that such guidance or direction given to the Administrator in the draft decision adopted by the Committee went beyond the limit of the appropriate and prudent exercise of authority of the Council. In his view, the action taken could rightly be labelled micro-management, which he deeply regretted. He hoped that the way in which business had been conducted at the current session would not be repeated.

89. One delegate stated that he had strong feelings about carrying out a full analysis of the advantages and disadvantages of having two Associate Administrators; his delegation believed that an organization such as UNDP could profitably have two Associate Administrators.

90. Another delegation also believed in the merit of having two Associate Administrators.

91. Another delegate felt that the Committee had not come up with an ideal consensus resolution. His delegation had joined the consensus reluctantly, believing that it was the Administrator's liberty to organize his own administration, and it was part of the mandate of the Governing Council to control and to oversee the efforts by the Administrator in managing the programme. He believed that the decision brought with it a great deal of outside interference into the mandate of the Administrator.

92. Another delegate, while deploring the decision to call upon external consultants to undertake a review of the senior management structure, had joined the consensus reluctantly. She had done so in the spirit of consensus, but retained the hope that any changes in the senior management structure would be effected with the full consent of the Administrator.

Final comments by the Administration

93. The Administration noted that there had not been an opportunity to review the financial implications of the decision. At a later session of the Governing Council, the Committee would receive information on the financial implications resulting from the decision.

Recommendation of the Committee

94. Following its consideration of the subject, the Committee recommended that the Governing Council adopt the following decision:

The Governing Council,

1. Takes note of the report of the Advisory Committee on Administrative and Budgetary Questions (DP/1990/87);

2. Takes note of the Administrator's report on the implementation of Governing Council decision 89/59, of 30 June 1989;

Senior management structure

3. Notes the Administrator's proposals as to the senior management structure;

4. Expresses its concern that the proposed management structure as laid down in document DP/1990/65 and Corr.2 does not constitute the comprehensive review requested by the Council in its decision 89/59 of 30 June 1989;

5. Welcomes the intention of the Administrator to engage an independent external consulting firm to make substantive recommendations on the future senior management structure of the United Nations Development Programme and to submit them with his comments for consideration by the Governing Council at its thirty-eighth session (1991);

6. Notes the intention of the Administrator to include in the terms of reference for the external consulting firm the following elements:

(a) The need for all members of the Programme to be able to submit their views to the consultants during the initial phase of their work and for them to have access to the members as their work progresses;

(b) The need for a detailed analysis of fundamental issues related to the senior management structure with options and alternatives, bearing in mind the legislative mandates contained in relevant resolutions of the General Assembly, the issues raised by the Advisory Committee on Administrative and Budgetary Questions and comments made by delegations at the thirty-seventh session of the Governing Council;

(c) The importance of the analysis addressing the need for the United Nations Development Programme to maintain flexibility and efficiency in its operations in light of the changing demands on the organization, the need to ensure enhanced co-ordination among both programme and administrative support units, and the need to improve the ability of the United Nations Development Programme to co-ordinate its relationship with other organizations in the United Nations system;

(d) Decisions on the fifth programming cycle and successor arrangements to agency support costs;

(e) The merger or consolidation of core units performing similar or related functions;

(f) A reduction in the number of units now reporting directly to the Administrator by transferring responsibility for these activities to existing bureaux of the Programme;

(g) Streamlining the management of trust funds, including information on potential savings, bearing in mind paragraph 22 of the present decision;

(h) Opportunities for reducing the total number of senior level posts (D-2 and above);

7. Recommends to the Administrator to hold informal consultations with members prior to the thirty-eighth session of the Governing Council (1991) on the recommendations submitted by the external consultants;

8. Strongly urges the Administrator to reconsider the merits of transferring the responsibilities of the Division of Personnel to the Bureau for Finance and Administration and to present to the Governing Council at its thirty-eighth session (1991) his decision in the context of the 1992-1993 budget;

9. Takes note of the Administrator's decision to unfreeze the post of Assistant Secretary-General for the Bureau for Finance and Administration and decides to review the Assistant Secretary-General grade for the Director of the Bureau for Finance and Administration in light of the consultants' recommendations to the Governing Council at its thirty-eighth session (1991);

10. Approves the proposal for a unified management of the United Nations Revolving Fund for Natural Resources Exploration and the United Nations Fund for Science and Technology for Development, noting that this does not represent a merger of the two funds as such;

Post reclassifications and other decisions

11. Approves the proposed reclassifications on the understanding that they will be offset by reductions with the result that there will be no financial implications for the 1990-1991 budget for programme support and

administrative services and that this information will be reported in the budget estimates;

12. Requests the Administrator to give consideration to the same principle for future reclassification proposals;

13. Approves the Administrator's proposals with respect to the 1990-1991 biennial budget of the United Nations Development Fund for Women;

14. Approves the continuation of the Assistant Secretary-General grade for the Director of the Office for Project Services on a temporary basis on the understanding that this is to be reviewed in the context of the 1992-1993 budget;

15. Approves the classification of the post of Deputy Director of the Office for Project Services at the D-2 level on a temporary basis on the understanding that this is to be reviewed in the context of the 1992-1993 budget;

16. Approves the other proposed reclassifications and the revised budget estimates in respect of the Office for Project Services;

17. Takes note of the carry forward of $2,461,368 of the 1988-1989 support cost earnings of the Office for Project Services for use in 1990-1991;

18. Requests the Administrator to take note that posts established in the Office for Project Services within his existing authority at the D-1 level and above are subject to final approval by the Governing Council;

United Nations Volunteers

19. Takes note that the revised estimates for the United Nations Volunteers supplementary budget for the biennium 1990-1991 amount to $5,927,400;

20. Approves a total field budget for the United Nations Volunteers of $3.1 million for the biennium 1990-1991, including an additional 20 United Nations Volunteers Programme Officers with an equal number of support staff and associated costs, taking into account the need for maximum efficiency and economy in the administration of the programme;

21. Requests the Administrator in preparing his 1992-1993 budget estimates, to take into account the concern expressed regarding the high General Service to Professional ratio at headquarters, including United Nations Volunteers;

22. Requests the Administrator, in the context of the 1992-1993 budget estimates, to address, if possible, the question of savings through merging with the United Nations Development Programme the appropriate units of the trust funds (i.e., the United Nations Capital Development Fund, the United

Nations Sudano-Sahelian Office, the United Nations Development Fund for Women, the United Nations Fund for Science and Technology for Development, and the United Nations Revolving Fund for Natural Resources Exploration) and/or the Office for Project Services, including technical, personnel, finance and evaluation services, and to report thereon to the Governing Council at its thirty-ninth session (1992);

23. Requests the Administrator to address, in the context of the 1992-1993 budget, existing policies regarding the apportionment of administrative costs to the technical support budgets of the non-core units and the related budgetary estimates for the period;

24. Approves the Administrator's proposals with regard to headquarters support to field offices in the specific areas of auditing and accounting to national execution;

25. Approves the Administrator's proposals with regard to the provision of $350,000 for short-term advisory resources under programme support activities;

26. Approves appropriations in an amount of $543,226,100 gross to be allocated from the resources indicated below to finance the 1990-1991 biennial budget, and resolves that the income estimates in an amount of $50,899,000 shall be used to offset the gross appropriations, resulting in net appropriations of $492,327,100, as indicated below.

United Nations Development Programme

1990-1991 biennial budget for programme support and administrative services

(Thousands of United States dollars)

	Gross appropriations	Estimated income	Net appropriations
I. RESOURCES OF UNDP			
A. UNDP core activities a/			
(i) Headquarters	150 127.2 b/	0.0	150 127.2
(ii) Field offices	284 177.4	29 940.0 c/	254 237.4
(iii) Total UNDP core activities	434 304.6	29 940.0	404 364.6
B. Programme support activities			
(i) Development Support Services	5 000.0	0.0	5 000.0
(ii) OPS	45 201.5	19 959.0 d/	25 242.5
(iii) IAPSO	4 446.8	0.0	4 446.8
(iv) UNV	24 351.0	0.0	24 351.0
(v) National executuion e/	2 400.0	0.0	2 400.0
(vi) STAR	350.0	0.0	350.0
(vii) Total programme support activities	81 749.3	19 959.0	61 790.3
C. Total resources of UNDP	516 053.9	49 899.0	466 154.9
II. RESOURCES OF TRUST FUNDS			
A. United Nations Capital Development Fund	9 756.6	0.0	9 756.6
B. United Nations Revolving Fund for Natural Resources Exploration and United Nations Fund for Science and Technology for Development	5 670.6	0.0	5 670.6
C. United Nations Sudano-Sahelian Office	8 621.4	2 000.0 f/	6 621.4
D. United Nations Development Fund For Women	4 123.6	0.0	4 123.6
E. Subtotals I, II (A,B,C,D)	544 226.1	51 899.0	492 327.1

.../...

	Gross appropriations	Estimated income	Net appropriations
F. Adjustment for UNDP contribution to UNSO-UNDP/UNEP joint venture	(1 000.0)	(1 000.0)	0.0
III. TOTAL APPROPRIATIONS	543 226.1	50 899.0	492 327.1

a/ The appropriation for UNDP core activities is broken down into those related to the field office network and those related to headquarters. The Administrator is permitted to redeploy between the two lines up to a maximum of 5 per cent.

b/ Includes UNDP contribution to UNSO-UNDP/UNEP joint venture of $1,000.0.

c/ Includes estimated income of $29,600 for host Government contributions in cash.

d/ Represents estimated income from trust funds and management service agreements.

e/ Represents headquarters accounting and auditing support costs for national execution projects, see decisions 87/14 and 88/18.

f/ Includes $2,000.0 for UNSO-UNDP/UNEP joint venture, of which $1,000.0 is funded from the UNDP core budget and $1,000.0 from that of UNEP.

95. The Governing Council subsequently adopted decision 90/45.

C. Report on the status of management services

96. For its consideration of agenda item 9 (c), the Committee had before it the report of the Administrator on the review of the experience gained in the provision of management services (DP/1990/67), submitted in response to Governing Council decision 88/54 of 1 July 1988.

Introductory statement by the Assistant Administrator

97. In his introductory statement, the Assistant Administrator and Director, OPS, emphasized that programmes implemented under management services have remained, in volume terms, marginal with respect to the activities of UNDP as a whole. The management services currently offered enabled new partnerships with government agencies, other multilateral institutions, non-governmental organizations (NGOs) and the private sector, whose goals were the cost-effective and timely utilization of aid resources, regardless of their source.

98. Management services programmes were self-supporting at all levels and no adverse effects had been detected in the few countries where management services mobilized resources substantially larger than those available under the country programme. Any attempt to regulate the quantum of management services would introduce an arbitrary element in the project selection process and could operate contrary to the spirit of the original decision 83/5 of 24 June 1983, the intent of which was to make available additional resources to the developing countries. However, the proposed guidelines contained in the report of the Administrator were in response to the Governing Council's decision and were intended as safeguards to ensure that the demand for management services (a) did not affect the level of voluntary contributions to the United Nations Development Programme by traditional donors; (b) would not be a financial burden on the UNDP regular budget; and (c) would remain within the mandated development policy framework.

Summary of the discussion of the Committee

99. While expressing overall satisfaction with the way management services had developed over the past, many delegates raised the issue of possible erosion of the multilateral character of UNDP as management services grew to represent an important part of OPS activities. The growth of that modality, with OPS acting as the executing arm of bilateral donors, should be carefully monitored, especially where procurement was tied or the use of resources otherwise restricted. It was important to ensure that the modality did not offer a substitute for multilateral voluntary contributions to the core programme but rather that it offered true additionality. The proposed guidelines were generally welcomed but some delegates questioned the mechanical application of a formula to calculate donor eligibility as suggested in paragraph 53 (c) of the Administrator's report. One suggestion was to relate eligibility to donor voluntary contributions over time, i.e., longer than the three-year moving average suggested; another donor thought that the proposed

approach was unduly restrictive and could lead some donors to restrict growth artificially in their voluntary contributions to ensure continued eligibility for management services. Another donor suggested that the linkage of eligibility to a growth in voluntary contributions could restrict the use of the facility by those donors who already make large core contributions to UNDP and who could not increase contributions because of burden-sharing considerations.

100. Several delegates questioned the development impact of some projects implemented through the modality and wondered whether there would be long-term sustainability once resources were exhausted and UNDP involvement ceased. They suggested closer integration with a structured country programme rather than response to recipient requests. Some sort of exclusionary criteria could perhaps be developed for greater selection in programmes to support. Greater field office involvement in monitoring and post project audits was recommended.

101. Some delegates questioned whether the build-up of staff in response to increasing demand for services was taking full advantage of possible economies of scale. Would there be sufficient flexibility in the system to respond to fluctuations in demand? The ability to reduce staff after the completion of certain projects was important, given the apparent slowing in the drawdown from International Fund for Agricultural Development (IFAD) loans.

Response of the Administrator

102. In his response, the Assistant Administrator and Director, OPS, stated that the Administration fully shared the Governing Council's concern with respect to preserving the multilateral character of the Programme. The development of the management services modality was closely monitored. It was for that reason that UNDP had established a hard and fast separation between management services projects and core and non-core programmes, in contrast to practices prevailing among several agencies in the United Nations system. It was not only a matter of the separate accounting of funds provided under management services. Indeed, in considering issues related to a funding strategy for UNDP, the Administrator had concluded that management services should not be seen as an element in that strategy. Whilst the modality served to channel additional resources to the beneficiary country, it was not considered to add to the resource base of UNDP itself. The Administrator did not believe, however, that the scale of management services had reached a point where specific limitations of one kind or another were warranted in order to regulate their use. The rather large expenditure recorded in 1989 was a result of the confluence of the programmes funded by the Governments of Italy and Japan, and did not indicate a trend.

103. On the point of donor eligibility, the proposed guideline had not been devised on the basis of the record to date. It was recognized that many variants were possible in examining the evaluation of a donor's contributions, and that a balance had to be struck so that a specific arrangement did not act as a disincentive for increasing core contributions, yet would not discourage the provision of additional resources to an intended beneficiary. The Administration would welcome any suggestions that members of the Governing Council might wish to make in that respect.

104. The Assistant Administrator emphasized that, with regard to development impact, management services were subject to the same evaluation criteria and procedures as other projects. For example, agreement had recently been reached with the donor to evaluate the large projects in Sudan and Chad. In terms of substance, management services projects were appraised for conformity with government priorities and country programme areas of emphasis. The bilateral element consisted in the donor/recipient identification of the programme, in the related decision-making, and, in several cases, the tying of procurement of services and goods to suppliers in the donor country.

105. With regard to the additional staff needed to carry out management services, OPS had a type of organization which could be expanded and contracted as appropriate, in response to the demand for management services. The Assistant Administrator confirmed that economies of scale were possible in some instances, and that the setting of management fees took such potential savings fully into account.

106. The apparent slow-down in disbursements against IFAD loans was caused by exceptionally heavy withdrawals on a large single loan in 1986-1987. The IFAD portfolio with OPS was, on the contrary, expanding and hence did not offer an opportunity for staff reductions.

Recommendation of the Committee

107. Following its consideration of the subject, the Committee recommended that the Governing Council adopt the following decision:

The Governing Council,

Recalling its decision 88/54 of 1 July 1988, by which it requested the Administrator to report to the Council every two years on the status of management services undertaken by the United Nations Development Programme,

Also recalling its decision 89/59 of 30 June 1989 requesting the Administrator to submit to the Council amended guidelines on the provision of management services,

Recognizing that concrete advantages have accrued to the development process and to recipient countries from the provision of these services,

1. Takes note of the report of the Administrator on the review of the experience gained in the provision of management services (DP/1990/67) and the views, comments and concerns expressed thereon;

2. Approves the following guidelines:

(a) Projects and programmes undertaken under management services should be in conformity with the development priorities established by the recipient countries as expressed in national plans and as laid down in the country

programme. Such projects should be in conformity with the mandate of the United Nations Development Programme and due attention should be paid to impact and sustainability;

(b) The total cost to the United Nations Development Programme of providing the required services, whether incurred by headquarters or field offices, should be borne by the funding source;

(c) In considering bilateral donor eligibility, the Administrator should continue to be guided by previous Governing Council decisions covering concerns about a decline in the growth of voluntary contributions as well as the relationship between donor voluntary contributions and management services and should ensure that bilaterally sponsored management services complement the core programme;

3. Authorizes the Administrator to continue to extend management and other support services to recipient countries for programmes funded from domestic resources;

4. Requests the Administrator to include in his annual report on management services included in the annual review of the financial situation, information on voluntary contributions and contributions to the management services activities of such donors;

5. Urges the Administrator to present, in his biennial report on the status of management services, a substantive overview of evaluations undertaken with regard to the developmental impact of programmes and projects funded by bilateral donors.

108. The Governing Council subsequently adopted decision 90/46.

D. Trust funds

109. For its consideration of agenda item 9 (d), the Committee had before it the report of the Administrator on trust funds established by the Administrator in 1989 (DP/1990/68), the report of the Administrator on summary financial information on all trust funds established by the Administrator since 1981 (DP/1990/68/Add.1), the report of the Advisory Committee on Administrative and Budgetary Questions (DP/1990/87) and a background note on the scope and nature of activities of trust funds established by the Administrator since 1981.

110. Several delegates requested information on the level of support costs charged to trust funds and confirmation that they were adequate to cover UNDP costs. Noting the number of trust funds established, one delegate questioned whether the handling of trust funds was becoming administratively cumbersome. Several delegates noted that some funds were inactive or had limited income and no current expenditures and questioned why these funds had not been liquidated and balances transferred to other activities. One delegate questioned the timing of income, noting that some funds had significant deficits as at 31 December 1989.

111. The Deputy Director, DOF, responded to the questions. He indicated that UNDP charged the same support cost rates for trust funds as it did for the regular programme, with 1 per cent added to the appropriate rate to cover UNDP headquarters and field office costs. In addition, should a sub-trust fund be established for one of the trust funds administered by the Administrator, an additional 1 per cent was incorporated for that trust fund. He further stated that the number of trust funds did not create administrative difficulties for UNDP and that all were consistent with UNDP aims.

112. The Deputy Director outlined the procedures for closing a trust fund and indicated that some two and a half years are needed to close a trust fund and dispose of any balance after consultation with the donor. Fund balances could not be unilaterally transferred by UNDP to another activity as they were handled in trust for the donor. With respect to the timing of receipts and the deficits existing as at 31 December 1989, he indicated that agreements with donors called for funds to be received in advance of planned expenditures. The majority of the year-end deficits resulted from a specific situation with respect to one donor. The matter was discussed at the highest levels. Based on assurances by the donor that the amounts in question would be paid in early 1990, the Administrator agreed to continue the project activities to avoid adverse impacts on recipient Governments and the inherent additional costs associated with shutting down and then restarting a project. The amounts were paid in early 1990 as agreed.

Recommendation of the Committee

113. Following its consideration of the subject, the Committee recommended that the Governing Council adopt the following decision:

> The Governing Council,
>
> Having considered the report of the Administrator on trust funds established by him in 1989 (DP/1990/68) and the report of the Administrator on summary financial information on all trust funds established by the Administrator since 1981 (DP/1990/68/Add.1) and the report of the Advisory Committee on Administrative and Budgetary Questions thereon (DP/1990/87),
>
> 1. Takes note of the report of the Administrator on trust funds established by the Administrator in 1989 (DP/1990/68) and of the report of the Administrator on summary financial information on all trust funds established by the Administrator since 1981 (DP/1990/68/Add.1) and of the views and observations of its members thereon;
>
> 2. Urges the Administrator and the donor Governments concerned to ensure that funds are received in advance of trust fund activities in accordance with the provisions of the United Nations Development Programme Financial Regulations and Rules.

114. The Governing Council subsequently adopted decision 90/47.

E. Audit reports

115. For its consideration of agenda item 9 (e), the Committee had before it a note by the Administrator on the report by the Board of Auditors on the UNDP financial statements for the year ending 31 December 1988 (DP/1990/76), the audit reports (DP/1990/69) of the external auditors of the executing agencies on the 1988 accounts and the Administrator's note on their observations (DP/1990/69/Add.1), the financial report and audited financial statements (A/44/5/Add.1), and the report of the Advisory Committee on Administrative and Budgetary Questions (A/44/543).

116. The Deputy Director, DOF, made an introductory statement concerning the qualification of UNDP accounts. The main points are outlined below.

117. The 1988 UNDP accounts were qualified on three grounds:

(a) Lack of audited accounts for some of the major executing agencies;

(b) Lack of progress made in obtaining audited statements for programme expenditure executed by Governments;

(c) Lack of breakdown of government cash counterpart expenditure by project.

118. The Deputy Director informed the Committee that the 1989 audit of UNDP accounts would be qualified on points (a) and (b) above; however, the qualification with regard to cash counterpart expenditure had been eliminated for 1989. The proposed move to the biennialization of UNDP audited financial statements would not solve the problem since UNDP could not guarantee the timely submission of audited statements from executing agencies or Governments; nevertheless, every effort would be made to make progress in that area.

119. The Deputy Director went on to point out that in 15 years UNDP has received unqualified audits in 12 years and qualified audits in 3 years. Each audit team, while diligent and comprehensive in completion of the audit, was different. Each group completed the audit in accordance with its national standards, including application of its standards for materiality. It was suggested that in future audits, additional information might be provided by the Board of Auditors to enable the Governing Council to evaluate the materiality and significance of points raised in the report. With regard to biennialization, the ACABQ proposal was that audit reports should be submitted to it only on a biennial basis even though the audits would continue to be completed on an annual basis. A report could be submitted to the Council in the first year of the biennium on an exceptional basis at the discretion of the Board of Auditors.

Summary of the discussion of the Committee

120. While the qualification of the audit on several counts was regretted, it was recognized that some of them were of a technical nature; delegates welcomed the progress made towards correcting the situation. The proposed biennialization of the audit would also assist in removing the qualification arising from the non-receipt of audited statements from the agencies.

121. Adequate audit coverage of funds disbursed by Governments was of great concern, especially given the move towards an increase in national execution. National execution, it was noted, was an important modality but financial accountability was also very important. Delegates expressed caution in that national execution should be based on the capacity of Governments to control and report.

122. Problems in recording unliquidated obligations were addressed, with concern registered as to possible abuses. One delegate suggested that obligations should be delivery-based rather than calculated on the basis of unfulfilled orders.

123. Delegates wished to improve the transparency of accounting delineation between field and headquarters activities and requested further information on posts, especially project-funded posts at headquarters. Further information on programme logistical support projects was needed. Some delegates also asked about some field offices exceeding allotments.

124. Concern was expressed about cost-sharing apportionment. Further information was requested.

125. Some delegates reiterated concerns about UNDP advancing funds when donors failed to meet funding commitments to trust funds. One delegate stated that in the future trust fund activities should be accepted only on a fully funded basis.

126. The move to biennialization of the audited statement was the subject of extensive discussion. The view was expressed that the Governing Council would not receive adequate information in the first year of a biennium and that some method had to be found to enable the Board of Auditors and ACABQ to bring any important information to the Council's attention.

Response of the Administration

127. The Deputy Director confirmed that improving accountability for government-executed projects was a major priority. UNDP procedures had evolved over time. In 1989, a major effort was made to prepare audit guidelines which were taken to each country for review, discussion and subsequent clarification. By the end of the 1989 audit, UNDP had received audit confirmations on one third of the nationally executed projects; that figure had increased to 50 per cent by June 1990, covering 46 countries. Thus, there had been significant progress over the past year. In the opinion of UNDP, that would suggest that the audit and reporting ability existed in most countries. UNDP would review the audits and ensure that they were of acceptable quality. UNDP would go back to discuss, evaluate and improve existing procedures. UNDP would also discuss with the Board of Auditors the appropriate level of audits of nationally executed projects, possibly using a sampling approach rather than the current expectation of 100 per cent coverage. Further improvement of computerization was planned for field offices and for national execution reporting and controls.

128. Delineation between core budget and programme support activities was totally transparent in the budget presentation. Guidelines had been established on what

was normally necessary for projects. In drawing up programme logistical support projects, due attention was paid to the economies of scale possible when supporting a number of projects with one programme logistical support project. UNDP was proposing to issue new guidelines to cover tighter budgetary control. Current programme logistical support projects expenditure of around $2.4 million represented only 0.25 per cent of the total expenditure of $900 million. With regard to the increase in project posts in New York to 80, many of them had been specifically approved by the Governing Council and the majority of the balance represent regional programmes controlled in New York. It should be remembered that of the total $280 million field office budget, some $123 million was estimated as the cost of supporting other United Nations activities.

129. The Deputy Director indicated that audit qualifications were likely to continue as long as there was a problem about the timely receipt of audited statements from agencies. He outlined the tight time frame for completion of audits and indicated that the complexity of the system made it virtually impossible to adhere to the schedule. However, every effort would be made to comply with the auditors' comments.

130. Unliquidated obligations were defined in the instructions as firm commitments provided for in the annual budget and supported by orders to suppliers. The 34 per cent write-off for OPS mentioned by the Board of Auditors related to a technical overstatement of travel obligations arising from the current conservative provision of 100 per cent of entitlement, while the actual travel expenditure was less. UNDP was considering using an average cost approach to reduce the problem. Any move to a confirmation of delivery approach would produce procedural and timing complications and could result in an understatement and thus would be less conservative than the present approach.

131. Cost-sharing apportionment was the subject of a new field office procedure introduced in 1989, whereby non-normal apportionment had to be justified. Only one apportionment was identified at year-end 1989. The problem with government cash counterpart contributions was technical in nature in that they were denominated in national currency. Existing systems could not accommodate accounting in national currency; consequently, there were problems in reconciling agency and UNDP accounts at the project level. UNDP was reviewing existing procedures to resolve the difficulties.

132. UNIFEM and the Division for Women in Development were very separate and distinct entities with different roles; UNDP was making every effort to provide cost-effective administrative support.

Recommendation of the Committee

133. Following its consideration of the subject, the Budgetary and Finance Committee recommended that the Governing Council adopt the following decision:

The Governing Council,

Having considered the audited financial statements of the United Nations Development Programme for the year ended 31 December 1988, and the report of the Board of Auditors thereon, contained in General Assembly document A/44/5/Add.1, as well as the views of the Advisory Committee on Administrative and Budgetary Questions thereon, contained in document A/44/543,

Having also considered documents DP/1990/69 and Add.1, containing the audited financial statements of executing agencies for the year ended 31 December 1988, the reports of the external auditors thereon, the comments of the Administrator on the audit reports of the executing agencies, and the note by the Administrator on the audit reports of the United Nations Development Programme itself (DP/1990/76) and a description of the actions taken in response to Governing Council decision 89/61 of 1 July 1989 and General Assembly resolution 44/183 of 19 December 1989,

Responding to General Assembly resolution 44/183 of 19 December 1989,

Taking into account the views and comments of the members of the Council on these matters, as well as the additional information provided orally by the Deputy Director of Finance and by the representative of the Board of Auditors,

1. Expresses its appreciation for the valuable work performed by the Board of Auditors and for the thoroughness and wide scope of their audit report;

2. Notes with concern that the audit opinion of the Board of Auditors on the 1988 accounts of the United Nations Development Programme was qualified on several counts, although some of these were technical in nature;

3. Notes with satisfaction that the Administrator has taken, or is taking, the necessary steps within his competence to correct the situations or conditions that gave rise to the qualifications of the audit opinion, as required by General Assembly resolution 44/183 of 19 December 1989;

4. Recognizes that, in addition to the problem referred to in paragraph 6 below, the audit report of the United Nations Development Programme may remain qualified so long as audit confirmation of programme expenditure incurred by the executing agencies has not been received by the Board of Auditors at the time that the Board issues its opinion on the United Nations Development Programme accounts;

5. Requests the Administrator to urge organizations executing projects or programmes to submit audit confirmation of programme expenditure on a timely basis;

6. Expresses concern regarding the lack of adequate audit coverage of funds disbursed by Governments in their capacity as executing agencies for the United Nations Development Programme and urges the Administrator to continue his efforts to rectify this situation;

7. Requests the Administrator to continue to review with the executing agencies the procedures for recording unliquidated obligations, including the means to ensure that such procedures do not lend themselves to abuse;

8. Welcomes the attendance and the comments provided by a representative of the Board of Auditors at the meeting of the Budgetary and Finance Committee;

9. Requests the Board of Auditors, in future reports, to provide, within its comments, sufficient information to enable the Budgetary and Finance Committee to evaluate the materiality or significance of the underlying issues;

10. Requests the Board of Auditors to submit, through the Advisory Committee on Administrative and Budgetary Questions, in their biennial report to the General Assembly and the Governing Council, the findings and recommendations on the first year of each biennium;

11. Invites the Board of Auditors to issue a special report for the first year of each biennium through the Advisory Committee on Administrative and Budgetary Questions, if in the opinion of the Board there are matters which need to be brought to the attention of the Governing Council, and if appropriate, the General Assembly;

12. Requests the Administrator to determine whether the Financial Regulations of the United Nations Development Programme need to be amended and to report the results of his findings to the Governing Council at its thirty-eighth session (1991).

134. The Governing Council subsequently adopted decision 90/48.

F. Financial Regulations of UNDP

135. For its consideration of agenda item 9 (f), the Committee had before it the report of the Administrator on United Nations Development Programme Financial Regulations: matters on which consensus was not achieved at the thirty-fifth session (DP/1990/70), the report of the Administrator on United Nations Development Programme Financial Regulations: Biennialization of financial statements (DP/1990/63), and the report of the Advisory Committee on Administrative and Budgetary Questions (DP/1990/87).

Summary of the discussion of the Committee

136. Several delegates indicated that they wished to negotiate those regulations on which consensus had not been reached in the past. Several other delegates indicated that their position had not changed on that matter and suggested that it be deferred for a further two years. Several delegates requested clarification of the proposed timing and process for the submission of financial statements to the auditors.

137. The Deputy Director, DOF, indicated that it had been proposed that audited financial statements be submitted on a biennial basis, starting in 1991; apart from that, the existing process would not change. Interim unaudited financial statements would be prepared for 1990 and for each even year thereafter and would be submitted to the Board of Auditors for review and comment. Other areas which the auditors might wish to address, for example, management issues, procedures or systems would also be reviewed each year and discussed with the Administration. As suggested by ACABQ, and subject to the concurrence of the Governing Council, comments on the annual review would be incorporated in the biennial report of the audited financial statements to be submitted to the Council and to the General Assembly through ACABQ. The Administrator would continue to submit an annual review of the financial situation to the Council.

Recommendation of the Committee

138. Following its consideration of the subject, the Committee recommended that the Governing Council adopt the following decision:

The Governing Council,

Having considered the report of the Administrator on United Nations Development Programme Financial Regulations: Matters on which consensus was not achieved at the thirty-fifth session (DP/1990/70); and the report of the Administrator on United Nations Development Programme Financial Regulations: Biennialization of financial statements (DP/1990/63), as well as the report of the Advisory Committee on Administrative and Budgetary Questions (DP/1990/87);

1. Decides that the Budgetary and Finance Committee will consider, at the thirty-ninth session of the Governing Council (1992), proposed Financial Regulation 4.6 and the other matters on which consensus was not reached at the thirty-seventh session of the Council (1990);

2. Takes note of the report of the Advisory Committee on Administrative and Budgetary Questions (DP/1990/87);

3. Approves amendments to the Financial Regulations of the United Nations Development Programme, as proposed by the Administrator in document DP/1990/63, allowing the Administrator to submit audited financial statements to the General Assembly and to the Governing Council, through the Advisory Committee on Administrative and Budgetary Questions, on a biennial basis, beginning with the biennium 1990-1991.

139. The Governing Council subsequently adopted decision 90/49.

G. Ex post facto reporting

140. For its consideration of item 9 (g) of the Council's agenda, the Committee had before it the report of the Administrator on ex post facto reporting on agency support costs (DP/1990/72).

141. The Deputy Director, DOF, introduced the item by noting that the report consisted of the following three parts:

(a) The first part provided a brief analysis by UNDP of the trends in technical co-operation activities, support cost earnings and support cost expenditure over the past four bienniums;

(b) The second part, annex 1, contained five tables. The first three tables summarized the financial data provided by the executing agencies and the next two tables provided an analysis of that data;

(c) The last part, annex 2, contained the narrative texts supplied by agencies, providing qualitative comments on key financial information included in their report.

142. The Deputy Director noted that, in the biennium 1988-1989, the overall delivery of technical co-operation activities from all sources combined increased to reach the highest level over the last four bienniums. The percentage share and amount of the technical co-operation activities funded by extrabudgetary sources had been steadily increasing, while the percentage share of UNDP-funded activities had been declining. The average reimbursement from UNDP to agencies represented 12.5 per cent of the total UNDP-funded technical co-operation project expenditure. The support cost rate for extrabudgetary activities varied by agency from 4 per cent to 21 per cent. On average, the ratio of support cost earnings from extrabudgetary sources was 8.7 per cent. UNDP charged donors 13 to 14 per cent for administering trust fund activities.

143. The support cost income from UNDP and other extrabudgetary sources seemed to be insufficient to cover support costs expenditure so that the subsidy from the regular budgets of agencies had increased. The increase in the agency subsidy could be attributed partly to the lower rates of support costs charged by agencies for administering extrabudgetary activities and partly to the continued depreciation of the dollar during the biennium.

144. Finally, the report also indicated that the overall ratio of agency support cost expenditure to total technical co-operation project expenditure on average decreased from approximately 19.5 per cent in the last biennium to 18 per cent in the current biennium.

Summary of the discussion of the Committee

145. Delegates took note of the timeliness of the report in view of the discussions on successor support cost arrangements. Many delegates questioned the consistency and utility of the data. One delegate commented that since agencies did not use a measurement system, the figures were somewhat arbitrary. Another delegate noted that agencies used different definitions. He suggested that while the data could be used to track trends by agency over time, it was of very limited use to draw comparisons between agencies. He asked whether a breakdown could be provided of support cost expenditure by agency by object of expenditure and by source of funds.

Response of the Administration

146. The Deputy Director, DOF, took note of the comments questioning the utility of the report. He stated that UNDP played a limited role in compiling the data and appreciated the highly limited value of the information provided. He noted that agencies were not in a position to provide a breakdown of support cost expenditure by object of expenditure and by source of funds.

Recommendation of the Committee

147. Following its consideration of the subject, the Committee recommended that the Governing Council adopt the following decision:

The Governing Council

1. Takes note of the report of the Administrator on ex post facto reporting on agency support costs (DP/1990/72) and the views and opinions of the members of the Governing Council thereon;

2. Requests the Administrator to discontinue submission of the ex post facto report on agency support costs;

3. Requests the Administrator, taking into account the decision on successor arrangements on support costs, and after consultation with the participating and executing agencies, to present a draft of a report which will provide accurate information on actual support costs incurred, by source of funds, to the Governing Council for its consideration at its thirty-eighth session (1991).

148. The Governing Council subsequently adopted decision 90/50.